

Phil Norrey
Chief Executive

To: The Chair and Members of the
Audit Committee

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

(See below)

Your ref :
Our ref :

Date : 14 November 2017
Please ask for : Dan Looker, 01392 382232

Email: dan.looker@devon.gov.uk

AUDIT COMMITTEE

Wednesday, 22nd November, 2017

A meeting of the Audit Committee is to be held on the above date at 2.15 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 (Pages 1 - 4)

Minutes of the meeting held on 14 September 2017.

- 3 Items Requiring Urgent Attention

Items which in the opinion of the Chair should be considered at the meeting as a matter of urgency.

- 4 Purposeful Systems

Verbal update from the Head of Organisational Development.

- 5 Annual Audit Letter 2016/17 (Pages 5 - 22)

Report of Grant Thornton (CT/17/101), attached.

6 External Audit Update (Pages 23 - 42)

Report of Grant Thornton (CT/17/102), attached.

7 Internal Audit Half Year Report 2017/18 (Pages 43 - 70)

Report of the County Treasurer (CT/17/99), attached.

8 Data Security and Residential / Nursing Commissioning - Audit Progress Report (Pages 71 - 78)

Report of the County Treasurer (CT/17/100), attached.


9 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

*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 J Mathews (Chair), I Hall (Vice-Chair), J Berry, J Brazil, E Brennan, R Peart and A Saywell
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 Dan Looker, 01392 382232. 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.
Webcasting, Recording or Reporting of Meetings and Proceedings
The proceedings of this meeting may be recorded for broadcasting live on the internet via the 'Democracy Centre' on the County Council's website. The whole of the meeting may be broadcast apart from any confidential items which may need to be considered in the absence of the press and public. For more information go to: http://www.devoncc.public-i.tv/core/
In addition, anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so, as directed by the Chair. Any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chair or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.
Members of the public may also use Facebook and Twitter or other forms of social media to report on proceedings at this meeting. An open, publicly available Wi-Fi network (i.e. DCC) is normally available for meetings held in the Committee Suite at County Hall. For information on Wi-Fi availability at other locations, please contact the Officer identified above.
Emergencies
In the event of the fire alarm sounding leave the building immediately by the nearest available exit, following the fire exit signs. If doors fail to unlock press the Green break glass next to the door. Do not stop to collect personal belongings, do not use the lifts, do not re-enter the building until told to do so.
Mobile Phones
Please switch off all mobile phones before entering the Committee Room or Council Chamber
If you need a copy of this Agenda and/or a Report in another format (e.g. large print, audio tape, Braille or other languages), please contact the Information Centre on 01392 380101 or email to: centre@devon.gov.uk or write to the Democratic and Scrutiny Secretariat at County Hall, Exeter, EX2 4QD.
 Induction loop system available

NOTES FOR VISITORS

All visitors to County Hall, including visitors to the Committee Suite and the Coaver Club conference and meeting rooms are requested to report to Main Reception on arrival. If visitors have any specific requirements or needs they should contact County Hall reception on 01392 382504 beforehand. Further information about how to get here can be found at: <https://new.devon.gov.uk/help/visiting-county-hall/>. Please note that visitor car parking on campus is limited and space cannot be guaranteed. Where possible, we encourage visitors to travel to County Hall by other means.

SatNav – Postcode EX2 4QD

Walking and Cycling Facilities

County Hall is a pleasant twenty minute walk from Exeter City Centre. Exeter is also one of six National Cycle demonstration towns and has an excellent network of dedicated cycle routes – a map can be found at: <https://new.devon.gov.uk/travel/cycle/>. Cycle stands are outside County Hall Main Reception and Lucombe House

Access to County Hall and Public Transport Links

Bus Services K, J, T and S operate from the High Street to County Hall (Topsham Road). To return to the High Street use Services K, J, T and R. Local Services to and from Dawlish, Teignmouth, Newton Abbot, Exmouth, Plymouth and Torbay all stop in Barrack Road which is a 5 minute walk from County Hall. Park and Ride Services operate from Sowton, Marsh Barton and Honiton Road with bus services direct to the High Street.

The nearest mainline railway stations are Exeter Central (5 minutes from the High Street) and St David's and St Thomas's both of which have regular bus services to the High Street. Bus Service H (which runs from St David's Station to the High Street) continues and stops in Wonford Road (at the top of Matford Lane shown on the map) a 2/3 minute walk from County Hall, en route to the RD&E Hospital (approximately a 10 minutes walk from County Hall, through Gras Lawn on Barrack Road).

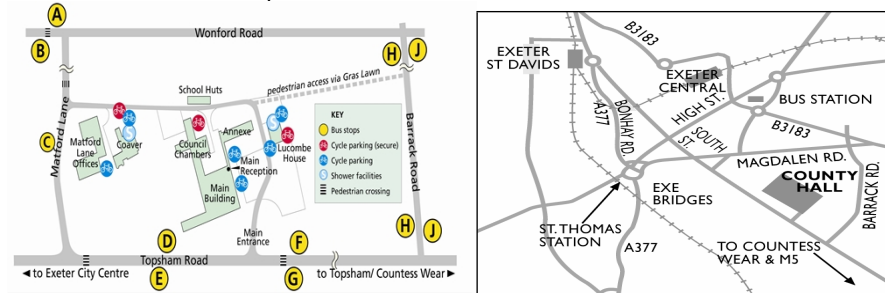
Car Sharing

Carsharing allows people to benefit from the convenience of the car, whilst alleviating the associated problems of congestion and pollution. For more information see: <https://liftshare.com/uk/community/devon>.

Car Parking and Security

There is a pay and display car park, exclusively for the use of visitors, entered via Topsham Road. Current charges are: Up to 30 minutes – free; 1 hour - £1.10; 2 hours - £2.20; 4 hours - £4.40; 8 hours - £7. Please note that County Hall reception staff are not able to provide change for the parking meters.

As indicated above, parking cannot be guaranteed and visitors should allow themselves enough time to find alternative parking if necessary. Public car parking can be found at the Cathedral Quay or Magdalen Road Car Parks (approx. 20 minutes walk). There are two disabled parking bays within the visitor car park. Additional disabled parking bays are available in the staff car park. These can be accessed via the intercom at the entrance barrier to the staff car park.



NB   Denotes bus stops

Fire/Emergency Instructions

In the event of a fire or other emergency please note the following instructions. If you discover a fire, immediately inform the nearest member of staff and/or operate the nearest fire alarm. On hearing a fire alarm leave the building by the nearest available exit. The County Hall Stewardesses will help direct you. Do not stop to collect personal belongings and do not use the lifts. Assemble either on the cobbled car parking area adjacent to the administrative buildings or in the car park behind Bellair, as shown on the site map above. Please remain at the assembly point until you receive further instructions. Do not re-enter the building without being told to do so.

First Aid

Contact Main Reception (extension 2504) for a trained first aider.

AUDIT COMMITTEE

14 September 2017

Present:-

Councillors J Mathews (Chairman), J Brazil, E Brennan and R Peart

Apologies:-

Councillors I Hall, J Berry and A Saywell

* **5** Minutes

RESOLVED that the Minutes of the meeting held on 30 June 2017 be signed as a correct record.

As it would be her last meeting, the Chair thanked the Director of Grant Thornton for her contribution to the Committee and the audit function.

* **6** Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

* **7** Devon County Council Audit Findings Report

The Committee noted the Report of Grant Thornton (CT/17/66) setting out the findings arising from the audit of the County Council's financial statements and the work undertaken in relation to the value for money conclusion.

Grant Thornton had identified no adjustments affecting the Council's reported financial position anticipated, providing an unqualified audit opinion on the financial statements and that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The Committee acknowledged that Grant Thornton had made a number of recommendations in its action plan including a refresh of the Council's medium term financial strategy; increasing the transparency in reporting the delivery of planned savings and the need for the Council to introduce a framework with key milestones for monitoring progress of its Transformational Programme. Members expressed concern as to the effective monitoring of the Transformational Programme and the time period by which savings were likely to be realised.

It was **MOVED** by Councillor Peart, **SECONDED** by Councillor Brennan, and;

RESOLVED that the Head of Organisational Development be invited to the next meeting of the Committee to update on the delivery plan for the Transformational Programme.

* **8** Devon Pension Fund Audit Findings Report

(Councillor Mathews declared a personal interest in this matter by virtue of being in receipt of a widowers pension from the Devon Pension Fund.)

The Committee noted the Report of Grant Thornton (CT/17/67) outlining the findings arising from the audit of the Pension Fund for 2016/17 and described the work undertaken by the

Agenda Item 2

AUDIT COMMITTEE
14/09/17

external auditors to address the risks previously identified in the Audit Plan which was considered by the Audit Committee on 28 March 2017 (Minute *26/28 March 17).

Members noted that Grant Thornton anticipated providing an unqualified opinion in respect of the Pension Fund's financial statements.

It was **MOVED** by Councillor Peart, **SECONDED** by Councillor Brazil, and;

RESOLVED that the report be noted.

* 9 Internal Audit Progress Report

The Committee considered the Report of the County Treasurer (CT/17/69) providing an update on issues identified as "improvement required" in the Annual Internal Audit Report.

Members acknowledged that progress had been made against the agreed recommendations, with an overall positive direction of travel, yet further progress was still required in a number of areas. It was therefore not possible to form new assurance opinions for individual audits; additional follow-up audit would be required in due course. The overall assurance opinion remained as previously reported in the Annual Audit Report 2016/17 as "significant assurance".

Members expressed concern about the lack of progress in terms of addressing issues relating to data security and residential / nursing commissioning arrangements. Officers advised that the data security issue did not represent a fundamental weakness, but it was being monitored closely and if the situation did not improve a report would be brought back to this Committee.

It was **MOVED** by Councillor Peart, **SECONDED** by Councillor Brazil, and;

RESOLVED

- (a) that an update on residential / nursing commissioning arrangements be included on the agenda for the next meeting of the Committee, and;
- (b) that the progress made by management to address weaknesses identified through the internal audit process be noted.

* 10 Statement of Accounts & Annual Governance Statement 2016/17

The Committee considered the Report of the County Treasurer (CT/16/70) together with the Statement of Accounts booklet. The Report highlighted the key messages from the Statements of Accounts 2016/17 including, inter alia:

- the pension liability of £1,175 millions not representing an immediate call on the Authority's reserves and was a snap-shot valuation in time based on assumptions.
- Grant Thornton provided assurance to members that the estimate made sense 'within the context of many variables'.
- no new borrowing had taken place the year with capital expenditure due to be met from borrowing being financed from internal resources.

It was **MOVED** by Councillor Brennan, **SECONDED** by Councillor Peart, and;

RESOLVED

- (a) that the Letters of Management Representation for the Devon Pension Fund and the County Council be approved;

- (b) that the Statement of Accounts for 2016/17 be approved;
- (c) that the Pension Fund Statement of Accounts for 2016/17 be approved;
- (d) that the preparation of both the Statement of Accounts for the Pension Fund and County Council be approved on an going concern basis, and;
- (e) that it be noted that there are no significant events since the Audit Committee meeting on 30 June 2017 that would require an amendment to the Annual Governance Statement.

* 11 **Corporate Risk Management Arrangements - Changes to the Management of Risk**

The Committee considered the Report of the County Treasurer (CT/17/65) providing an update on developments to the Corporate Risk Management arrangements and a summary of the key recommendations of the Internal Audit report, and the action being taken.

The County Treasurer advised that Internal Audit had identified Risk Management as having become a more marginal activity, rather than a necessary part of service planning to identify and manage potential risks. To address this, the risk management process would become more formal with an annual report being taken to each scrutiny committee.

It was **MOVED** by Councillor Peart, **SECONDED** by Councillor Brennan, and;

RESOLVED that the Audit Committee note the developments in the Corporate Risk Management arrangements.

***DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 2.15 pm and finished at 3.00 pm

EXTERNAL AUDIT – ANNUAL AUDIT LETTER 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 and findings within.

1. The attached report, provided by the Council's External Auditors (Grant Thornton), sets out the key findings arising from the work that they have carried out at the County Council for the year ended 2016/17.

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

Contact for Enquiries:

[David Bray](#) | Senior Manager | Audit

For Grant Thornton UK LLP

Hartwell House | 55-61 Victoria Street | Bristol | BS1 6FT

T (direct) +44 (0)117 305 7889 | **T (internal)** 57889 | **T (office)** +44 (0)117 305 7600 | **M** +44 (0)7880 456 126

E david.bray@uk.gt.com | **W** grantthornton.co.uk

Background Paper: None

The Annual Audit Letter for Devon County Council

Year ended 31 March 2017

24 October 2017

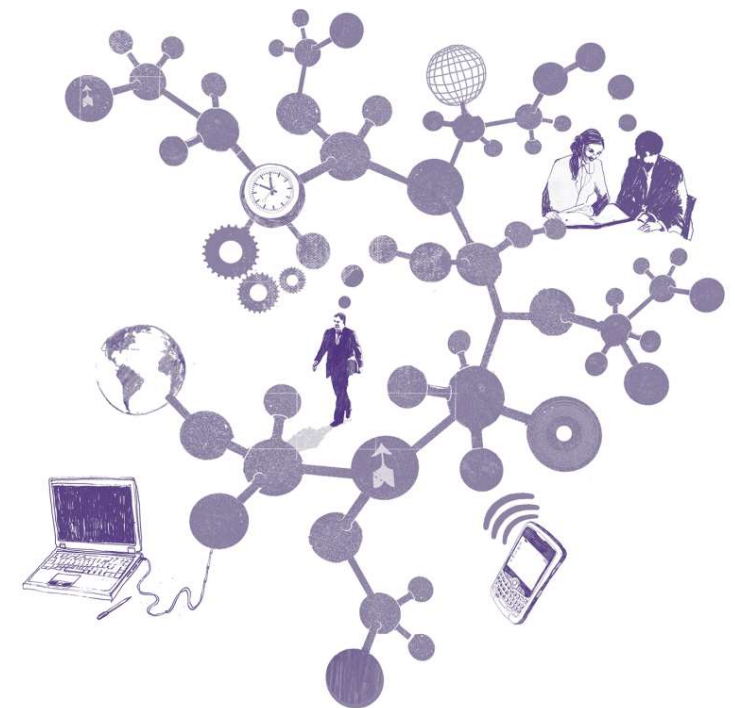
Page 7

Elizabeth Cave

Director

T 0117 305 7885

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



Contents

Section	Page
1. Executive summary	3
2. Audit of the accounts	5
3. Value for Money conclusion	10
Appendix	
A Reports issued and fees	14

Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Devon County Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee (as those charged with governance) in our Audit Findings Report on 14 September 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements and those of the Pension Fund hosted by the Council on 21 September 2017.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 21 September 2017.

Whole of government accounts

We completed work on the Council's consolidation return following guidance issued by the NAO and issued an unqualified report on 29 September 2017.

Certificate

We are currently unable to certify that we have completed the audit of the accounts of Devon County Council because we not yet completed work in respect of objections to the 2015/16 and 2016/17 accounts.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £20 million, which is 1.75% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality of £10,000 for disclosures of officers' remuneration, salary bandings and exit packages and disclosure of auditors' remuneration.

We set a lower threshold of £1 million above which we reported errors to the Audit Committee in our Audit Findings Report.

Devon Pension Fund

For the audit of the Devon Pension Fund accounts, we determined materiality to be £33.724 million, which is 1% of the Fund's net assets. We used this benchmark as, in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits.

We set a lower level of specific materiality of £500,000 for management expenses and £25,000 for related party transactions. We set a threshold of £1,959,000 above which we reported errors to the Audit Committee.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the County Treasurer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> Identified the controls put in place by management to ensure that the pension fund net liability was not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. Reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from the Council's actuary. 	<p>Our audit work involved review of the IAS 19 valuation including the reasonableness of the actuarial assumptions made.</p> <p>The Authority's pension liability was estimated by its own actuaries and we challenged the assumptions underpinning this estimation.</p> <p>Overall, we considered the overall assumptions to be reasonable.</p>

Audit of the accounts – Council (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property plant and equipment 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>As part of our audit work we:</p> <ul style="list-style-type: none"> • Reviewed management's processes and assumptions for the calculation of the estimate. • Reviewed the competence, expertise and objectivity of any management experts used. • Reviewed the instructions issued to valuation experts and the scope of their work. • Held discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding. • Tested revaluations made during the year to ensure they were input correctly into the Council's asset register. • Evaluated the assumptions made by management for those assets not revalued during the year to assess how management satisfied themselves that these were not materially different to current value. 	<p>The Council revalued a large proportion of its Property, Plant and Equipment in year with a valuation date as at 31 December 2016. The valuation was found to be carried out by a suitably qualified expert.</p> <p>No issues arose from the testing performed.</p> <p>We are satisfied that the Council has demonstrated that the carrying value of all other property, plant and equipment valued in prior years is not materially misstated.</p>

Audit of the accounts – Council (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Changes to the presentation of local authority financial statements 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 CIPFA 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>As part of our audit work we:</p> <ul style="list-style-type: none"> • Documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements. • Reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they were in line with the Council's internal reporting structure. • Reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • Tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • Tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • Tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • Reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>Our audit work did not identify any significant issues in relation to the risk identified. We confirmed that the disclosures and presentation were in line with what had been reported to the Council in year.</p> <p>At our request the Expenditure and Funding Analysis (EFA) was included in the notes to the accounts. This was because the CIPFA Code does not define the EFA as a primary statement.</p>

Audit of the accounts – Pension Fund

This is the risk which had the greatest impact on our overall strategy and where we focused more of our work on the audit of the pension fund.

Risk identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of level 3 investments 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 style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 14</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • Updated our understanding of your process for valuing Level 3 investments through discussions with relevant personnel. • Performed walkthrough tests of the controls identified in the process. • Tested valuations, on a sample basis, by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. In addition reconciling those values to the values at 31st March 2017 with reference to known movements in the intervening period. • Reviewed the qualification of the fund managers as experts to value the level 3 investments at year end and gained an understanding of how the valuation of these investments had been reached. • Reviewed the nature and basis of estimated values and considered what assurance management had over the year end valuations provided for these types of investments. • Reviewed the competence, expertise and objectivity of management experts used. 	<p>Our audit work did not identify any significant issues in relation to the risk identified.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 21 September 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 14 September 2017.

No significant amendments were made to the Comprehensive Income and Expenditure Statement. However, we did identify one material adjustment where £30m was included in cash and cash equivalents, but should have been included in short term investments.

We identified a control issue in relation to the bank reconciliation at the year end. Due to the early closure of the ledger, the Council amended the way it posted the bank transactions that cleared on the last day of the year. No overall reconciliation of the final amounts in the ledger was completed and the reconciliation did not take into account the total amounts in the ledger of cash and cash equivalents. This led to uncleared suspense account balances which overstated creditors by £2.4m, bank balances by £1.1m and debtor balances by £1.3m. These were amended in the final set of accounts.

Devon Pension Fund accounts

We also reported the key issues from our audit of accounts of the Pension Fund hosted by the Council to the Council's Audit Committee on 14 September 2017 and gave an unqualified opinion on 21 September 2017. No significant issues were identified.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO. We issued a group assurance certificate which did not identify any issues for the group auditor to consider on 29 September 2017.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the accounts and to raise objections received in relation to the accounts.

We received an objection to the 2015/16 accounts in relation to payments to Devon Partnership Trust for delegated responsibilities under the Care Act 2014. Our work is ongoing in relation to this and the estimated fee to date is £15,000. We have also received another objection in relation to the 2016/17 accounts relating to advocacy services provided under the Care Act.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. The key risks we identified were:

- that recurrent savings would not be identified and achieved to fill the savings gap of £40.6m for 2018/19 to 2020/21;
- that the required savings in year were not achieved resulting in potential overspends for current and future years;
- that the transformational programme will not produce the required level of change and therefore will not deliver the financial savings needed in the required timeframe.

Details of the work we performed and our conclusions are set out on pages 11 to 13.

As part of our Audit Findings report agreed with the Council in September 2017, we agreed recommendations to address our findings. The key recommendation was to introduce a framework with key milestones for monitoring progress of its transformational programme and ensure that it has detailed delivery plans for savings and when they are realistically to be achieved.

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Value for Money

Value for money risks

Risk identified in our audit plan	Work carried out	Findings and conclusions
<p>Financial sustainability and identification of recurrent savings for 2017/18 and beyond</p> <p>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 continues to be a increasing significant challenge. The latest medium term financial strategy (MTFS) outlined 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 may require the Council's medium term financial strategy to be refreshed accordingly.</p> <p>There was a risk that recurrent savings are not identified and achieved to fill the savings gap identified.</p>	<p>We reviewed the Council's arrangements for updating, agreeing and monitoring its Medium Term Financial Strategy. Specifically we considered the robustness of the financial planning assumptions and arrangements for ensuring that financial projections including future savings are realistic and achievable.</p>	<p>The Council's medium term financial strategy for the period 2017/18 to 2020/21 was approved by the Council in February 2017. This includes the savings plans identified to date but also included funding gaps which need be bridged by additional savings plans or increased income. This strategy is supported by a rolling 4 year plan which provides details of individual savings plans and owners and is updated on a regular basis.</p> <p>The 2017/18 budget was supported by significant non-recurrent measures, including the use of reserves. The Council's financial position in future years remains high risk and there are significant and continuing pressures on adult social care. The Council is intending to use the additional precept of £10m per year for adult social care until 2019/20 to help bridge this gap. To address these and the underlying gap the Council must identify and deliver recurrent savings.</p> <p>The Council's plans are reliant on transformational change of services to deliver savings from 2019/20 onwards.</p> <p>Despite the challenges, recent announcements to increase the Better Care Fund (BCF) to fund Adult Social care may ease the burden in the medium term where savings are still to be identified. However as at 31 March 2017, it was unclear how this additional funding is able to be spent and is contingent on agreement with BCF health partners and the specific strategies and targets of the Better Care Fund, which may restrict the use of such funds. As at 31 March 2017, this was still to be determined and it is recommended that the Council revisits its MTFS and budget to take into account this new social care funding, the latest demand for Adult and Children's services and replacement savings which are to be found.</p> <p>Overall, we concluded that the Council had suitable arrangements during the course of the year for managing this risk. However, the Council's financial position remains high risk as at 31 March 2017 and is dependent on delivery of recurrent savings.</p>

Value for Money

Value for money risks (continued)

Risk identified in our audit plan	Work carried out	Findings and conclusions
<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. 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>We reviewed the 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>Despite the significant pressures on Adult Services which resulted in savings not being achieved, overall the Council delivered its target outturn. Although only £26.8m of the £34.3m planned savings were achieved, regular monitoring has allowed the Council to implement new savings plans and achieve underspends in other areas to ensure the outturn was delivered.</p> <p>The Council monitors its savings plans in year through the budget management group which is attended by Senior Finance Officers. If there are any significant variations, these are reported and escalated to members accordingly. There is clear evidence of this having occurred during the course of the financial year which demonstrates a step forward and progress in terms of reporting variances and budget difficulties. Despite this there is scope to improve the transparency of reporting savings delivery further against planned outcomes.</p> <p>As in previous years, the main budget pressure during the financial year has been on Adult Services where the Council had an overspend of £6.9 million in 2016/17 taking into account a one off benefit of £4m relating to procurement activity and underspend in the Better Care Fund. A total of £7.8m of savings was written out of the plans during the year, however new one off savings of £4m were used to offset this along with the Council achieving underspends in other areas in order to deliver an outturn position as originally forecasted.</p> <p>The non delivery of planned savings has led to the Council revising planned recurrent savings for future years in the latest Medium Term Financial Plan published in February 2017. Relying on compensating in year underspends is only a short term measure and use of one off measures results in increasing financial pressures to deliver more recurrent savings in the future.</p> <p>We have concluded that the risk was sufficiently mitigated and the Council has adequate arrangements in place. However, the non-delivery of some savings in 2016/17 has resulted in increasing pressures going forward.</p>

Value for Money

Value for money risks (continued)

Risk identified in our audit plan	Work carried out	Findings and conclusions
<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. 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>We reviewed 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>	<p>The Council has made some progress in scoping the areas for transformational change, however this remains a significant risk. There still is a lot of work to be done in this area to realise the savings needed. As at 31 March 2017, the transformational plan had not been finalised. Whilst the Council has made arrangements for delivering transformational change in year, methods for monitoring progress were still to be determined and there is a need to agree timelines for delivery. The production of the transformational plan will be a key step and hopefully will assist in the projects progressing at a faster pace, which is needed to deliver the required savings in the medium term.</p> <p>Of the areas identified for transformation, the most advanced is linked to the adult social care which has the most significant budget pressures. The Council has started initial discussions with health partners in parts of the County to collaborate more with the view to change how health and social care for adults is managed and delivered.</p> <p>The Council is planning to scope a number of themes and areas where services require transformation. There is still much to be done to deliver the required transformational programme and savings. In part, reflecting the early stage of the transformational programme, the Council needs to implement more robust arrangements for monitoring and managing the transformational project with timelines agreed. Given the financial pressures, it is imperative that the Council continues to make financial savings in the coming years and the transformational programme is key to this.</p> <p>The Council needs to accelerate the pace of the programme to allow consultation and planning of savings in advance of the required delivery time. It is recommended that the Council has a framework with key milestones for monitoring progress to allow consultation and planning of savings in advance and it has detailed delivery plans for savings required in the medium term and by when.</p> <p>We concluded that the Council was making adequate progress, but there remained more work to do.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of the Council	105,281	TBC	112,786
Statutory audit of Pension Fund	28,603	28,603	28,603
Total fees (excluding VAT)	133,884	TBC	141,389

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

We received an objection to the 2015/16 accounts in relation to payments to Devon Partnership Trust for delegated responsibilities under the Care Act 2014. Our work is ongoing in relation to this and the estimated fee to date is approximately £15,000. We also received another objection in relation to the 2016/17 accounts.

Reports issued

Report	Date issued
Audit Plan	March 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services for 2015/16 returns:	
• Certification of Teachers' Pensions end of year return	4,200
• Certification of School Centred Initial Teacher Training return	3,700
• Certification of Local Transport Plan major projects grant return	4,000
Non-audit related services	Nil

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as reported in our Audit Findings Report.



© 2017 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk

EXTERNAL AUDIT – 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 and findings within.

1. The attached report, provided by the Council's External Auditors (Grant Thornton), sets out the progress in delivering their responsibilities as the County Council's external auditors and includes a summary of emerging national issues and developments relevant to the Council.

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

Contact for Enquiries:

David Bray | Senior Manager | Audit

For Grant Thornton UK LLP

Hartwell House | 55-61 Victoria Street | Bristol | BS1 6FT

T (direct) +44 (0)117 305 7889 | **T (internal)** 57889 | **T (office)** +44 (0)117 305 7600 | **M** +44 (0)7880 456 126

E david.bray@uk.gt.com | **W** grantthornton.co.uk

Background Paper: None

Devon County Council

Audit Committee Progress Report and Update

Page 25

9 November 2017

Jon Roberts

Partner

T 0117 305 7699

E jon.roberts@uk.gt.com

David Bray

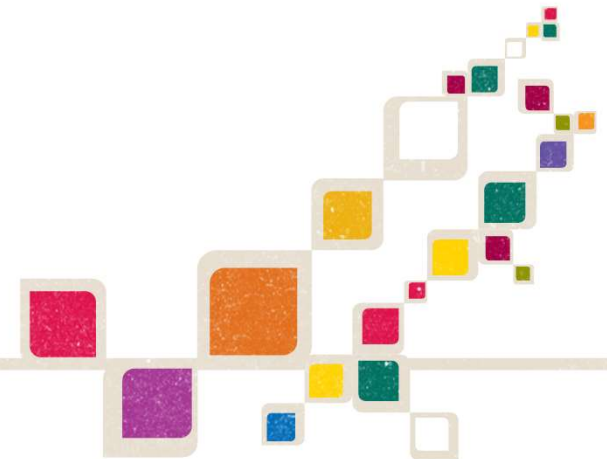
Senior Manager

T 0117 305 7889

E david.bray@uk.gt.com



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



Introduction

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

The paper also includes:

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

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.

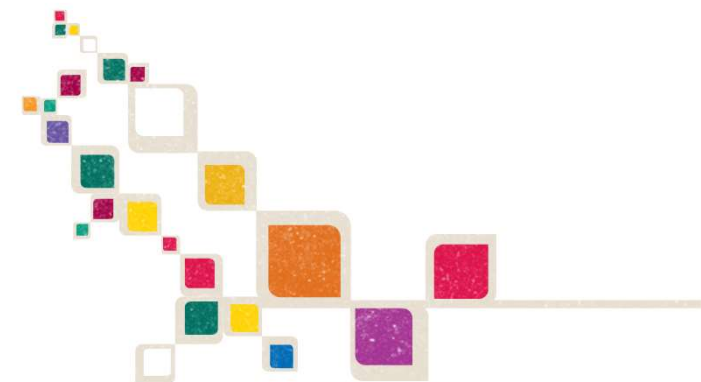
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



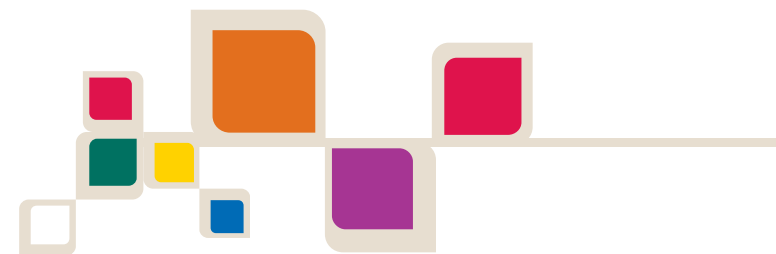
Jon Roberts
Engagement Lead
T 0117 305 7699
M 07919 380840
E jon.roberts@uk.gt.com



David Bray
Engagement Manager
T 0117 305 7889
M 07880 456 126
E david.bray@uk.gt.com

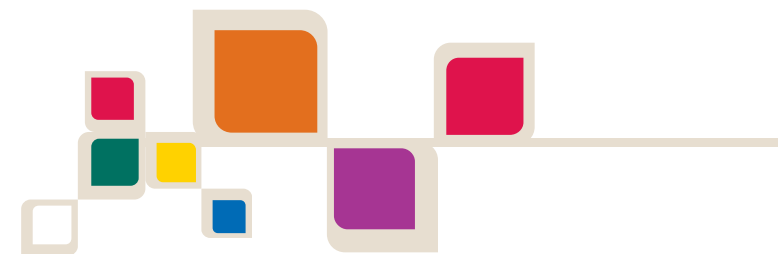


Progress at 9 November 2017



2016/17	Planned Date	Complete?	Comments
<p>Annual Audit Letter Our annual audit letter for 2016/17 is included within the Audit Committee papers for the meeting on 22 November. A copy of this letter was provided to Public Sector Audit Appointments (PSAA) by the deadline of 30 October.</p>	30 October 2017	Yes	
<p>PSAA will make Annual Audit Letters for all local authorities publicly available on their website.</p>			
<p>Certification Work</p>			
<p>At the time of writing, our work on the Teachers Pensions return is in progress.</p>			
<p>There was a national delay in determining the work auditors were required to do although this will not impact on our work being completed by the deadline of 30 November. We will provide a verbal update to the Audit Committee.</p>	30 November 2017 (Teachers Pensions)	In progress	
<p>There has also been a national delay in determining the work auditors are required to undertake on the school-centred initial teacher training (SCITT) return which, at the time of writing, has not been resolved.</p>	31 December (SCITT)		
<p>Once this has been determined, we will work with the Council to ensure that the deadline has been achieved</p>			

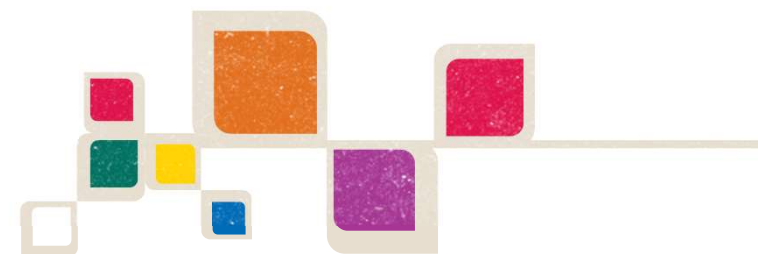
Progress at 9 November 2017



Page 29

2017/18	Planned Date	Complete?	Comments
<p>Fee Letter We were required to issue a planned fee letter for 2017/18 by the end of April 2017. This is the final audit year under the current contract.</p> <p>PSAA has awarded contracts to audit suppliers and is currently consulting on local appointments. Your audit supplier from 2018/19 will be confirmed by the end of December 2017.</p>	April 2017	Yes	Further information on the External Audit appointments is included later in this update.
<p>Accounts Audit Plan We will issue a detailed accounts audit plan to the Council setting out our proposed approach the audit of the Council's 2017/18 financial statements.</p> <p>This will be issued upon completion of our audit planning.</p> <p>The statutory deadline for the issuing of the 2017/18 opinion has been brought forward by two months to 31 July 2018. We are discussing with your officers our plan and timetable to ensure that we complete our work by this earlier deadline.</p> <p>We may also need to discuss and agree with you arrangements for the issue of the draft Audit Findings Report, in view of the time available to complete our work and your committee report deadlines.</p>	March 2018	No	

Progress at 9 November 2017



Page 30

2017/18	Planned Date	Complete?	Comments
<p>Interim accounts audit</p> <p>Our interim fieldwork visit plan will reflect the need to complete as much work as possible earlier in the audit cycle. Our work will include:</p> <ul style="list-style-type: none"> • review of the Council's control environment • updating our 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. 	<p>January and February 2018</p>	<p>No</p>	
<p>Final accounts audit</p> <ul style="list-style-type: none"> • 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 	<p>July 2018</p>	<p>No</p>	
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is unchanged to last year 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".</p> <p>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".</p> <p>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>July 2018</p>	<p>No</p>	

Technical Matters

Page 31



Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and forthcoming provisions for IFRS 9 and IFRS 15

Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18. The main changes to the Code include:

- amendments to section 2.2 (Business Improvement District Schemes (England, Wales and Scotland), Business Rate Supplements (England), and Community Infrastructure Levy (England and Wales)) for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report
- updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 (Housing Revenue Account) to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)

- amendments to section 6.5 (Accounting and Reporting by Pension Funds) to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Forthcoming provisions for IFRS 9 and IFRS 15

CIPFA/LASAAC has issued 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'. It sets out the changes to the 2018/19 Code in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

Technical Matters

Questions:

- Is your finance team aware of the changes to the Code of Practice in 2017/18 and the forthcoming changes to lease accounting and revenue recognition?

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

Sector issues

Page 33



Independent Review of Building Regulations and Fire Safety

Sector Issues

The Government has published the terms of reference for the independent Review of Building Regulations and Fire Safety, commissioned following the Grenfell Tower fire tragedy.

The DCLG press release states:

“This Review will urgently assess the effectiveness of current building and fire safety regulations and related compliance and enforcement issues, with a focus on multi occupancy high rise residential buildings. This will include addressing whether the government’s large-scale cladding system testing programme identified any potential systemic failures.

The Review’s 2 key priorities are to develop a more robust regulatory system for the future and provide further assurance to residents that the buildings they live in are safe and remain safe. While the Review will cover the regulatory system for all buildings, it will have a specific focus on multi occupancy high rise residential buildings.

Dame Judith Hackitt, a qualified engineer with strong regulatory background, is leading the Review and will draw on the experience of local government, industry, the fire sector, international experts and MPs. She will also engage with residents of multi occupancy residential buildings.

The Review will report jointly to Communities Secretary Sajid Javid and Home Secretary Amber Rudd. An interim report will be submitted in autumn 2017 and a final report submitted in spring 2018. The Review will co-operate fully with the Public Inquiry, and Dame Judith Hackitt will review her recommendations in the light of the findings of the Inquiry.”

The terms of reference state that the review will:

- map the current regulatory system (i.e. the regulations, guidance and processes) as it applies to new and existing buildings through planning, design, construction, maintenance, refurbishment and change management;
- consider the competencies, duties and balance of responsibilities of key individuals within the system in ensuring that fire safety standards are adhered to;
- assess the theoretical coherence of the current regulatory system and how it operates in practice
- compare this with other international regulatory systems for buildings and regulatory systems in other sectors with similar safety risks;
- make recommendations that ensure the regulatory system is fit for purpose with a particular focus on multi-occupancy high-rise residential buildings.

The full terms of reference are available at:

<https://www.gov.uk/government/publications/independent-review-of-building-regulations-and-fire-safety-terms-of-reference>

Procurement of external audit services



Sector Issues

Procurement outcome

As a result of the highly successful procurement of auditor services, opted-in Local government and police bodies throughout England will collectively benefit from reduced fees for audit services in 2018/19 compared to 2017/18. Aggregate savings are expected to exceed £6 million per annum, equivalent to a reduction of approximately 18% in the scale fees payable by local bodies.

The results of the process announced on 20 June 2017 involve the award of the following contracts:

- Lot 1 of approx. £14.6 million per audit year was awarded to Grant Thornton LLP;
- Lot 2 of approx. £10.9 million per audit year was awarded to EY LLP;
- Lot 3 of approx. £6.6 million per audit year to awarded to Mazars LLP;
- Lot 4 of approx. £2.2 million per audit year to awarded to BDO LLP;
- Lot 5 of approx. £2.2 million per audit year to awarded to Deloitte LLP; and
- Lot 6 with no guaranteed value of work to awarded to a consortium of Moore Stephens LLP and Scott-Moncrieff LLP.

Contracts were awarded on the basis of most economically advantageous tender with 50% of the available score awarded to price and 50% awarded to quality.

The procurement strategy, agreed by the PSAA Board in December 2016, sets out the basis on which the procurement of audit services was carried out.

Having concluded the procurement, PSAA will commence the process of appointing auditors to opted-in bodies. For more information on the auditor appointment process [click here](#).

Finalising and confirming appointments

The PSAA Board will approve all proposed appointments from 2018/19, following consultation with audited bodies, at its meeting in mid-December. The Board's decision on the appointment of auditors is final. Following Board consideration, PSAA will write to each audited body to confirm their appointment and plan to send all confirmations on 18 December.

Local Authority 2016/17 Revenue Expenditure and Financing

Sector Issues

DCLG has produced a summary of Local Authorities' 2016/17 provisional revenue spending and financing. It notes that Local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure. The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.5 billion for all local authorities in England in 2016-17. This was 1.1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. 2016-17 was first year local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.8 billion (2.4%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central Government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.5 billion of this increase is due to the Greater London Authority.

The full report is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639755/Revenue_Expenditure_and_Financing_2016-17_Provisional_Outturn.pdf

Did you know....

This data set and many others are included in CFO Insights.

CFO Insights is the Grant Thornton and CIPFA online analysis tool. It gives those aspiring to improve the financial position of their organisation instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

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

Grant Thornton publications

Page 37



Combined Authorities: Signs of Success

In her foreword to ‘Building our Industrial Strategy’ the Prime Minister states that the initiative “will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East.”

Combined Authorities (CAs) – the newest model for the governance of local public services – are central to this.

In response to this, Grant Thornton and Bond Dickinson have jointly commissioned a report which provides an insight into the establishment of each combined authority in the context of their specific challenges. It is still early days for most combined authorities – the political and administrative difficulties of adopting this model are not to be under-estimated - but early signs are emerging of their potential to innovate and drive success.

The report benchmarks combined authorities using key indicators of growth, housing, transport and skills amongst others. We have also used our Vibrant Economy Index, which goes beyond financial returns and takes into account the wellbeing of society, to compare city regions. We believe that these benchmarks can serve as a baseline for assessment of progress over time.

Key findings from the report:

- CAs must begin to reduce the institutional blurring with historic local government structures that has occurred with their formation. As greater clarity emerges over their roles, functions, and profiles of individual mayors, ; their perceived legitimacy will increase.
- CAs stand and fall on their ability to add value through targeted investment, strategic co-ordination, joined-up policy and the leveraging in of additional resources (particularly additional private sector funds).
- There is no single checklist or set of criteria for measuring the success of mayors and combined authorities, each city region must articulate its own challenges and show progress in tackling them.
- A balanced set of benchmarks encompassing both economic and social success will, however, serve as a useful stimulus for the debate around the impact of the combined authority model over time.

Grant Thornton publications

Questions:

- Have you read our report?



Combined Authorities: signs of success



<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

Setting up a successful social enterprise

Local government continues to innovate as it reacts to ongoing austerity. An important strand of this response has been the development of alternative delivery models, including local authority trading companies, joint ventures and social enterprises.

This report focuses on social enterprises in local government; those organisations that trade with a social purpose or carry out activities for community benefit rather than private advantage. Social enterprises come in a variety of shapes and sizes as they do not have a single legal structure or ownership rule and can adopt any corporate form as long as it has a social purpose.

In this report we explore what social enterprises look like, the requirements for setting one up, how they should be managed to achieve success and how they can be ended.

We have complemented this with a range of case studies providing inspiring ideas from those that have been successful and some lessons learned to take into consideration.

Key findings from the report:

- Austerity continues to be a key driver for change: social enterprises are a clear choice where there is an opportunity to enhance the culture of community involvement by transferring these services into a standalone entity at its centre
- The social enterprise model tends to lend itself more to community services such as libraries, heritage management and leisure, but not exclusively so
- Social enterprises can open up new routes of funding including the ability to be flexible on pricing and access to pro bono or subsidised advice
- Some local authorities have converted existing models into social enterprises; for example where a greater focus on social outcomes has been identified

Striking a balance between financial and social returns

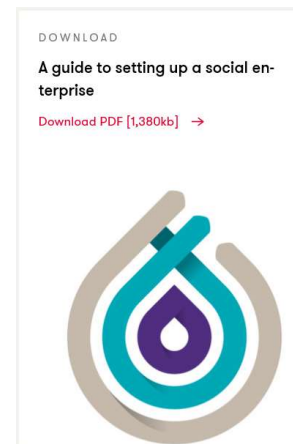
If you are a local authority looking to transition a public service to a social enterprise model certain factors will be key to your success including: leadership, continuing the culture, branding, staff reward and secure income stream.

Download our guide to explore how to handle these factors to ensure success, the requirements for setting up a social enterprise; and how social enterprise can be ended. The guide also showcases a number of compelling case studies from local authorities around England, featuring inspiring ideas from those social enterprises that have been a success; and lessons learned from those that have encountered challenges.

Grant Thornton publications

Questions:

- Is your Council exploring options for delivery of services?
- Have you read our report?
- Have you downloaded our guide?



<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

The Board: creating and protecting value

Grant Thornton publications

Question:

- Have you read our report?

Value creation	
Non-executives	<p>Directorship How well do the non-executives:</p> <ul style="list-style-type: none"> • design, debate and decide the organisation's future? • inspire and guide the executive to realise the organisation's purpose? • provide support to the executives?
Executives	<p>Leadership How well do the executives:</p> <ul style="list-style-type: none"> • Make decisions aligned with realising the organisation's purpose? • Inspire and motivate employees to realise the organisation's purpose? • model the values of the organisation?
Value protection	
Non-executives	<p>Assurance How well do the non-executives:</p> <ul style="list-style-type: none"> • monitor financial, compliance and business indicators? • ensure appropriate processes are in place to manage risk? • have oversight of the executive team?
Executives	<p>Management How well do the executives:</p> <ul style="list-style-type: none"> • set goals, creating plans and allocating resources to achieve them? • effectively assign roles and responsibilities? • Focus on day-to-day tasks and resources needed to deliver strategic aims?

In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation's purpose.

Page 40

Grant Thornton's new report 'The Board: creating and protecting value' is a cross- sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This powerful tool provides a framework (see graph 1) with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.

Source: The Board: Creating and protecting value, 2017, Grant Thornton



<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/board-effectiveness-report-2017.pdf>

International Consortium on Governmental Financial Management

Introduction

Grant Thornton and the International Consortium on Governmental Financial Management (ICGFM) partner every other year to perform an international survey of Public Financial Leaders.

In 2015 the theme was innovation in public financial management. This year's survey has been designed to identify and describe emerging issues around transparency and citizen engagement – building on the themes highlighted in the 2015 report.

The insights will be published in a report later in 2017 and we would be delighted if you were able to spend some time completing the brief on-line questionnaire which can be found [here](#). Your Audit Manager will be able to provide you with a link to the survey if required.

Please note that the ICGFM and Grant Thornton will not identify, or attribute thoughts and quotations to, individual survey respondents in the final 2017 report. This preserves your anonymity, so please respond freely, honestly and openly.

We have again partnered with the ICGFM to survey Financial Leaders

Question:

- Have you completed the ICGFM survey on transparency and citizen engagement?

Page 41





© 2017 Grant Thornton UK LLP. All rights reserved

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL).GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grantthornton.co.uk

© 2017 Grant Thornton UK LLP. All rights reserved.

CT/17/99
Audit Committee
22 November 2017

INTERNAL AUDIT HALF YEAR REPORT 2017/18 **Report of the County Treasurer**

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

Recommendations:

- i. That members note the internal audit opinion that the Council's systems contain a satisfactory level of internal control.
- ii. That members note the satisfactory performance and achievements of Devon Audit Partnership during the first six months of 2017/18.
- iii. That the Council's continuing commitment to the maintenance and enhancement of an anti-fraud culture is endorsed.

1. The key objective of Internal Audit is to provide assurance to Members, Leadership Group and the County Treasurer (as the Council's "section 151 responsible officer") on the adequacy and security of those systems on which the County Council relies for its internal control, both financial and management.

2. The attached report provides the six month audit opinion of the Council's Internal Audit Service (Devon Audit Partnership) and describes the progress to date against the internal audit plans for 2017/18 that were approved by the Audit Committee in March 2017. This work and the continuing contribution of Devon Audit Partnership to both risk management and anti-fraud arrangements within the Council, lead to an opinion that the Council continues to have an effective framework of control which provides reasonable assurance regarding the effective, efficient and economic achievement of its objectives. The Committee can take assurance from these findings.

Mary Davis

Electoral Divisions: All
Local Government Act 1972

List of Background Papers

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

<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
Internal Audit Plan	28 th March 2017	CT/17/27

There are no equality issues associated with this report

Internal Audit

Half Year Report 2017/18

Devon County Council
Audit Committee

Page 45
November 2017



Auditing for achievement

Contents

INTRODUCTION	1
OPINION STATEMENT	2
VALUE ADDED	3
PROGRESS AGAINST PLAN	4
SUMMARY AUDIT RESULTS	5
FRAUD PREVENTION AND DETECTION	6
CUSTOMER VALUE	7
CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)	7
PERFORMANCE INDICATORS	7
CUSTOMER SERVICE EXCELLENCE	7
APPENDIX 1 - SUMMARY OF AUDIT REPORTS AND FINDINGS FOR 2017/18	8
APPENDIX 2 - ANNUAL GOVERNANCE FRAMEWORK ASSURANCE	19
APPENDIX 3 - BASIS FOR OPINION	20
APPENDIX 4 - AUDIT AUTHORITY	21
APPENDIX 5 - PERFORMANCE INDICATORS	22
APPENDIX 6 - CUSTOMER SERVICE EXCELLENCE	23

Devon Audit Partnership

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.

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.

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

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.

Introduction

The Audit Committee, under its Terms of Reference contained in Devon County Council's Constitution, is required to consider the Chief Internal Auditor's audit reports, to monitor and review the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

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

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

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide a report providing an opinion that can be used by the organisation to inform its governance statement. This report provides a position statement at half year on the progress towards that opinion.

Expectations of the Audit Committee from this half year report

Audit Committee members are requested to consider the:

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

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see Appendix 2) and satisfy themselves from this assurance that the internal control framework continues to be maintained.

Robert Hutchins
Head of Devon Audit Partnership

Opinion Statement

This statement of opinion is underpinned by:

Overall, based on work performed during 2017/18 and that of our experience from previous years audit, the Head of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

This opinion statement is in line with the definitions below and will provide Members with an indication of the direction of travel for their consideration of the Annual Governance Statement.

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

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

Internal Control Framework

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

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

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

Risk Management

Risk management is utilised widely across the Council and monitored by officers and through to members. Key risks are recorded in Risk Registers, allowing a co-ordinated and consistent approach to minimise exposure and to ensure objectives are met. Key changes are escalated through the Corporate Risk Management Group. Further development is planned to embed risk management.

Governance Arrangements

Scrutiny Committees have sought audit assurance and are developing links with audit plans and progress reviews alongside their planned business. Governance arrangements are considered in audit of key areas including contracting and commissioning of services to ensure that the County Council's interests are protected.

Performance Management

The strategy is key to the successful delivery of services and is established for 'business as usual' and transformation programmes. Reporting is made regularly to management, leadership and the Council should ensure effective management. This is of particular importance as the Council commissions and contracts new services.

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

Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can.

We believe internal audit activity has added value to the organisation and its stakeholders by:

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

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

Our work has identified specific added value benefits in key areas and in mitigating key risks. Notable benefits have been reported in the following areas:

Corporate Services

- Ongoing involvement in HR / Payroll system development projects ensuring that control issues are highlighted and resolved before implementation;
- Ongoing ad hoc advice provided to HR / Payroll relating to internal process controls, outside of system development projects;
- Cyber security and assurance upon IT processes supporting the Council's key financial systems;

Adult Care and Health

- Reviewing the Practice Quality Review process to provide assurance the process is embedded and making an impact.

Children's Services

- Reviewing Legal Care Proceedings across Devon, Plymouth and Torbay and the identification of best practice and opportunities for improving processes and procedures.

Schools

We have supported the School Information 'Dashboard' process by providing the internal audit view of the financial management of individual schools based on the most recent audit visit. The provision of internal audit's performance data provides a greater focus on schools causing concern in the wider control environment. This information is to be used in assessing overall status for schools through FIPS, vulnerable budget reviews and school improvement. The result of our input has been:-

- termly meetings with the VAT team, Revenue and Babcock LDP highlighting issues on income and VAT accounting;
- completion of follow-up audits in 2017/18.

The culmination of this work will lift the performance of these schools.

Progress against Plan

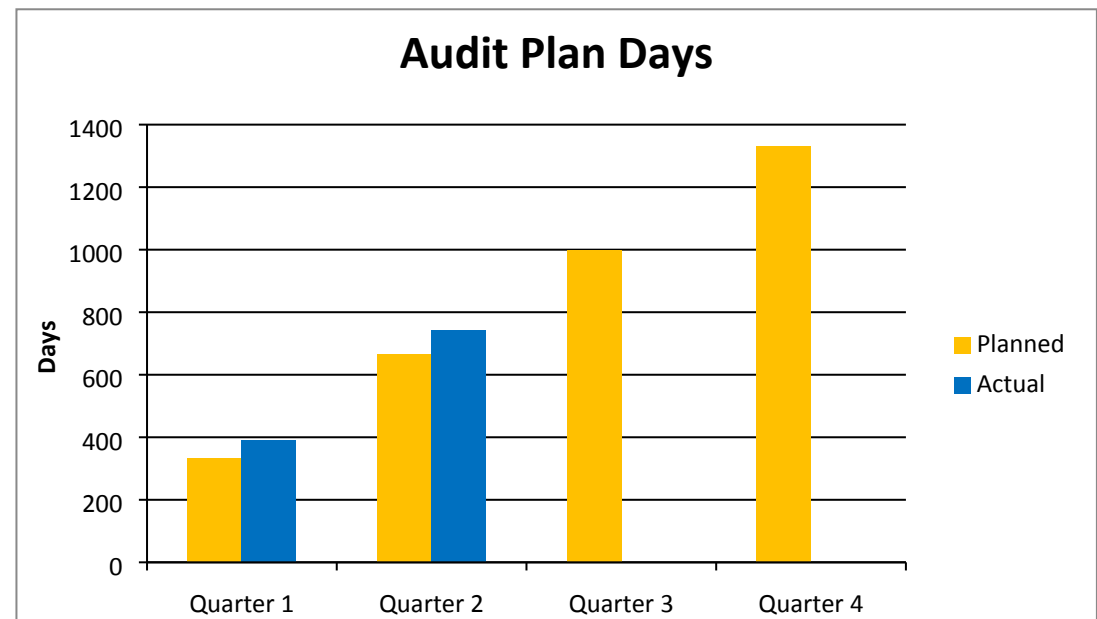
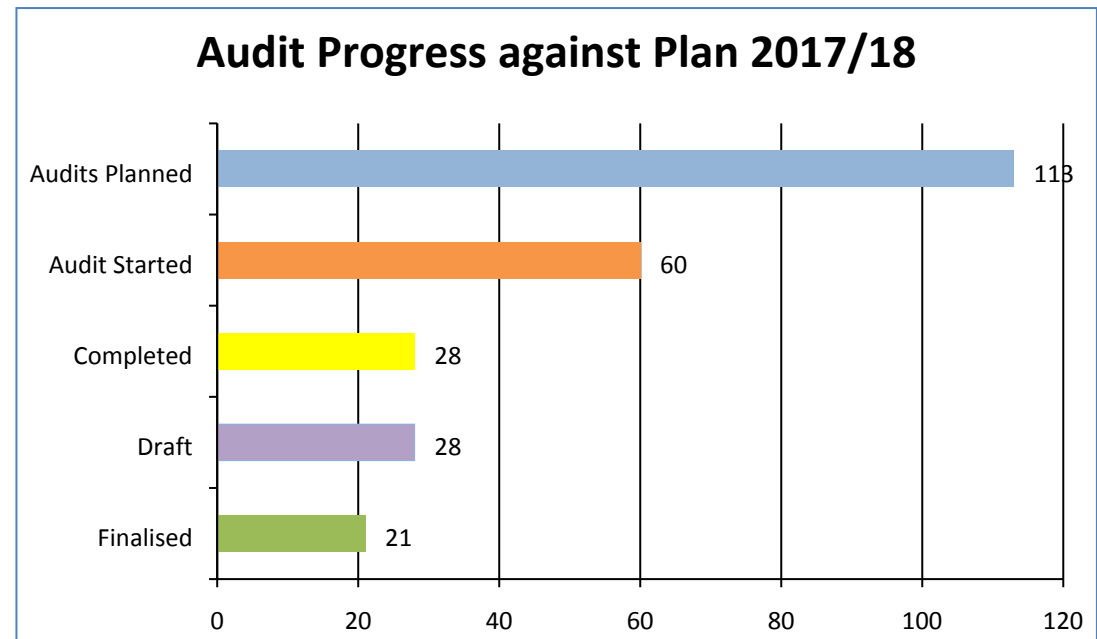
This report compares the work carried out with the work that was planned through risk assessment, presents a summary of the audit work undertaken, includes an opinion on the adequacy and effectiveness of the Authority's internal control environment and summarises the performance of the Internal Audit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

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

The extent to which our work has been affected by changes to audit plans has not been notable during the first six months of the year. The level of irregularity work has been low which has not impacted on completion of the plan. The progress chart includes other audit work and performance reports issued in addition to the planned audits.

The bar charts right show the status of audit progress against plan and the audit days delivered against target planned. The charts demonstrate that progress is largely in line with expectations and that the number of audit days delivered has exceeded that planned.

Appendix 5 provides further performance information for the first six months of 2017/18.



Summary audit results

Corporate Services

In our opinion, and based upon our audit work completed during 2017/18, 'trusted partner' and direct advice provided for on-going projects, we are able to report that internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

Based on audits completed and on indications from previous and on-going work, we are able to report that material systems controls have either been maintained, or improvements are being made to address previously identified weaknesses. Whilst a number of weaknesses exist, management are aware of these issues, and have either accepted the related risk, or are taking action to address them.

No significant concerns have been identified from our work to date, including that on grants, and management have responded positively to any recommendations for improvement.

Adult Care and Health

In our opinion, and based upon our audit work completed we are able to report that internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

Audit has undertaken review of the recommissioning of unregulated care through the Supporting Independence procurement.

Children's Services

The review of Placement Stability found movement in the right direction towards the key measure of the percentage of children in care who experience three or more moves within a twelve month period. There was good evidence of a number of activities that have occurred and are designed to address and improve on stability of placements.

Communities, Public Health, Environment and Prosperity

Undertaking the review of Learn Devon and meeting a range of staff across four different sites provided a number of positive impressions of the service. However a number of areas were identified where improvements are required relating to data protection and IT support systems.

Highways, Infrastructure Development and Waste

The audit review of Shared Savings (Waste) completed within in the first six months of the year was given an assurance opinion of high standard. The review found adequate controls in place to ensure that accurate data is provided by the waste collection authorities (district councils). The Shared Savings Scheme calculation spreadsheet was found the savings accurately.

Schools

Our overall opinion is one of Good Standard. In general, the systems and controls in schools mitigate the risks identified in many areas. However, there are risks exposed in key areas which reduce overall assurance.

The key matters arising from the audits are the:

- specific areas relating to the Schools Financial Value Standard (SFVS) including governance and business continuity;
- maintenance of inventory records.

With regard to the 2016/17 Schools Financial Standard the fourteen schools who had not submitted their SFVS self-assessment by 31 March 2017 sent in their self-assessment prior to the Chief Finance Officer's statement being submitted to the Department for Education in May 2017.

The schools audit plan is under constant scrutiny with further schools submitting applications to become academies as part of multi academy trusts.

Fraud Prevention and Detection

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.

Work has continued coordinating the review of the various data sets involved with the NFI from the 2016/17 exercise. The majority of the data matches have been reviewed.

Proactive anti-fraud work

Various pieces of proactive anti-fraud work have been undertaken during the first six months of the 2017/18 financial year:-

- A Fraud Bulletin has been produced, published on the DAP website and sent to all staff through the weekly Friday 'Inside Devon' email;
- The annual Accounts Payable data analysis to identify instances of duplicate payments has yielded results. Finalising review of 2015/16 Accounts Payable data has led to the recovery of a further £5,000; whilst work upon 2016/17 Accounts Payable data is currently ongoing a number of potential duplicate payments have been referred to the Payments team and we await feedback. Identified and confirmed to date is one duplicate payment of £35,134.06 which has been recovered.

Regularities - During the first half of the 2017/18 financial year, Internal Audit has carried out or assisted in 5 investigations at Devon County Council. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
Theft	1
Theft of IT equipment	1
Employee Conduct	2
IT Misuse	1

Issues ranged from theft of a laptop from an officer's vehicle, money going missing from an employee's purse at a day centre to employee conduct issues around use of IT equipment.

Customer Value

Conformance with Public Sector Internal Audit Standards (PSIAS)

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

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

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

Performance Indicators

Overall, performance against the indicators has been very good with improvements made (see Appendix 5). We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We continue to review where performance in this area can be improved.

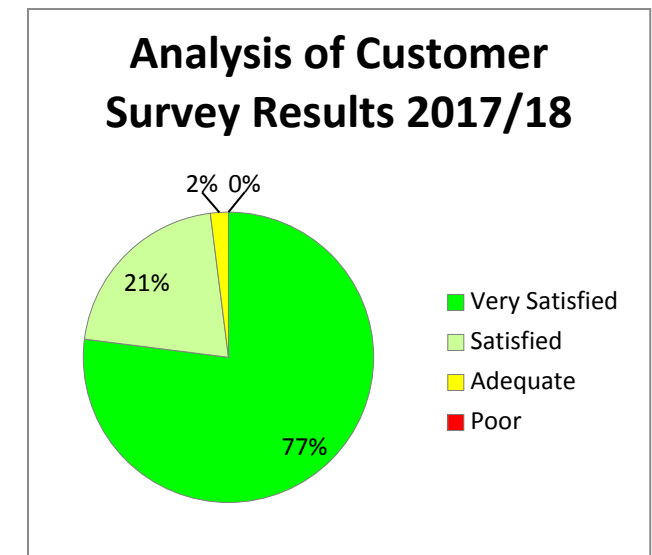
Customer Service Excellence

DAP has been successful in re-accreditation by G4S Assessment Services of the CSE standard during the year.

During the period we issued client survey forms with our final reports. The results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 98% being "satisfied" or better across our services, see Appendix 6. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

Added Value

We have had some very complimentary feedback of where our team have been able to add value to the Council these may be found upon our webpage.



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




Risk Assessment Key

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

Direction of Travel Assurance Key

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

CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Corporate Services - Finance			
Income Collection ANA - Medium	Good Standard Status: Final	As has been the case for a number of years, income collection and allocation processes are operating effectively within a reasonably sound overall control environment. Transactions are uniquely identified within the system and reconciliation processes ensure that income is completely and accurately recorded in Finest.	
Treasury Management ANA - Low	High Standard Status: Final	Approved procedures are in place, and our review found that these had been adhered to in terms of both placing an investment and taking out short term borrowing. Testing confirms the controls in place are adequately robust to mitigate the inherent risks present leading to one minor recommendation.	
Construction Industry Scheme ANA - Low	Good Standard Status: Final	The authority has developed good processes within their payments systems and teams to enable the identification of payments which may require a CIS deduction.	
Tax Compliance Forum ANA - Client Request	Value Added Status: Ongoing	The Group discusses HMRC 'hot topics' and their implications on the authority and the impact of organisational and systems changes on tax compliance. No significant unmitigated risks have been identified to date.	N/A
Grants x 5 ANA: n/a	Certified Status: Complete	Grants certified without amendment - Active Devon, Bus Subsidy, Local Growth Fund, Local Transport Capital Block Funding and Targeted Family Support Programme.	N/A

The following reviews are currently in progress:-

- Debtors / Debt Recovery (ANA - Medium)
- Fixed Asset Register (ANA - Low)
- New Payments Gateway (ANA - Low)
- Accounting for VAT (People) (ANA - Medium)

CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	

- Business Continuity Project (Client request)

It is anticipated that the reports will be issued & agreed in the third quarter of 2017/18. No issues of major concern have been identified from our fieldwork to date.

The following reviews will be commenced in the second half of 2017/18:-

- Payroll (ANA - High)
- Bank Reconciliation (ANA - Medium)
- Finest System Administration (ANA - Low)
- Creditors (ANA - Medium)
- Main Accounting System (ANA - Medium)
- Usage of new Budget Monitoring System (ANA - Medium)

Corporate Services - Human Resources

The following reviews are currently in progress:-


- Off Payroll Working (ANA - Low)
- DBS Update Service (ANA - Medium)
- Payroll - Apprenticeship Levy (ANA - Low)

It is anticipated that the reports will be issued and agreed in the third quarter of 2017/18. No issues of major concern have been identified from our fieldwork to date.


The following reviews will be commenced in the second half of 2017/18:-

- Mini Temp Banks operating outside of HR (ANA - Medium)
- New recruitment process (ANA - Low)
- New electronic leaver process (ANA - Low)
- Redundancy / exit cap changes (ANA - Low)
- Consultants / Interims and employment status (ANA - Medium)
- Payroll - Teachers Pension Return (ANA - Medium)
- Payroll - Online Adjustments (Earlier Year Updates) (ANA - Medium)
- Ethics & Culture (ANA - Medium)


Digital Transformation and Business Support

Service Operation - Processes (Incident & Problem)	Good Standard	IDEA Data Analysis work was undertaken leading to analysis of the data to identify if there are 'problems' occurring that are being missed by the human	
--	---------------	---	---


CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
ANA - High	Status: Final	intervention approach.	
Procurement: Tender Evaluation Tool Review	N/A	Upon completion of the review an email was issued with an annotated copy of the spreadsheet (evaluation tool) stating that it was fit for purpose and advised on some minor improvements, namely format and some of the guidance wording.	
The following reviews are currently in progress:- <ul style="list-style-type: none"> • ICT Legacy Systems (Client request) • Cyber Security (ANA - Critical) 			
The following reviews will be commenced in the second half of 2017/18:- <ul style="list-style-type: none"> • Service Strategy (ANA - High) • Service Operation - Function (ANA - High) • CareFirst / Eclipse - Social Care Business Systems (ANA - Critical) • Procurement: Contract Management strategy and process (ANA - High) • Procurement: Resilience of significant / strategic suppliers to ensure service provision in face of Public Sector cuts (ANA - High) • Procurement: Governance protocols in relation to contract award procedures and contract lifecycle (ANA - High) 			
HRMS Project - Procurement & Implementation	Added Value Status: Ongoing	Audit has provided support and challenge as the Council have procured and implement a replacement HR and Payroll system. Audit continues in a Project Assurance role during 2017/18 with particular attention being paid to the tender evaluation and subsequent system implementation phases.	N/A


ADULT CARE AND HEALTH

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Safeguarding ANA - Medium; Client request	Good Standard Status: Draft	There has been an increasing focus on safeguarding of adults at risk over the years and recent well-publicised cases of institutional abuse of adults and the elderly has raised the public and professional awareness of this. "Making Safeguarding Personal" Guide was produced by the Association of Directors of Adult Social Services (ADASS) which was intended to support councils and their partners to develop outcome-focused, person-	

ADULT CARE AND HEALTH

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>centred safeguarding practice.</p> <p>An independent review was commissioned by Devon County Council on Adult Safeguarding arrangements in 2014; the report produced offered a number of recommendations to strengthen adult safeguarding arrangements moving forward.</p> <p>The audit has confirmed that a number of changes have been made in the overall structure of safeguarding delivery following this review: good progress has been made in implementing the recommendations made, and there is clear evidence that the service has become more effective as a result.</p>	
Practice Quality Review ANA - Low; Client request Page 57	N/A Status: Draft	<p>The objective of the audit was to provide assurance that the Practice Quality Review process is embedded and having impact:</p> <p>In particular we considered the following questions:</p> <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 and is it making a difference to their practice? • Are lessons learned leading informing senior management decision making? <p>Whilst our initial work has gone some way in answering the questions, the overall assurance in this area will be concluded following our second tranche of work which, it is anticipated, will take place in Spring 2018.</p> <p>The aim of the first review was to set a benchmark, and provide feedback to management on:</p> <ul style="list-style-type: none"> • Consistency of the undertaking and approach of the practice quality reviews; • Impact of the practice quality reviews on service delivery and outcomes; • Time taken to complete. <p>This was carried out through holding meetings with staff / managers who volunteered to participate, including staff within Management Information.</p>	

ADULT CARE AND HEALTH

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Forecasting future spend adult social care transitions ANA - Low; Client request Page 58	Improvements Required Status: Draft	<p>There are very few processes in place with regard to this area and a more joined up working approach needs to be put in place, allowing all of the interested parties to be aware of the young people who may transition from Children's Services to Adults.</p> <p>At the time of the audit, there were a lot of outstanding reviews in the North Locality due to a lack of resource. If this backlog continues the situation will only get worse when the next group of Year 10's are identified.</p> <p>The Eclipse system used by Children's Services does not "talk" to CareFirst used by Adult Services and discussions have been undertaken to identify how information will continue to be shared. The result of this is not ideal and will create additional input work for Adult Services. In addition, there are no unique identifiers covering all of the systems currently in use to enable records to be matched, including those used by CCG.</p> <p>There was limited information available in respect of financial planning and how DCC will forecast the financial impact of transitions in future. However, there are short and medium term proposals which should start to address this issue.</p>	
Recommissioning of unregulated care through the Supporting Independence procurement ANA - Low; Client request	Good Standard Status: Final	<p>Preparation for the procurement exercise has been robust, with a detailed and documented needs analysis undertaken which has looked at historical service levels in order for prospective bidders to consider the future levels of service that they may be expected to provide.</p> <p>Engagement with stakeholders has been good, with presentations made to various groups including clients and contractors prior to the start of the procurement exercise as well as a number of 'tender surgeries' designed to ensure that interested parties were provided with all necessary information and clarification provided to any queries they may have.</p>	

The following reviews are currently in progress:-

- Recommissioning of Residential and Nursing Care (ANA - Medium, Client request)
- Short Term Interventions (ORR TG30; ANA - Medium; Client request)
- Spend on Individuals / Management Information (ANA - Medium; Client request)


ADULT CARE AND HEALTH

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance

The following reviews will be commenced in the second half of 2017/18:-

- Preparing for Adulthood Strategy (ANA - Low; Client request)
- Services for People with Sensory Disabilities (ANA - Medium; Client request)
- Promoting Independence (ANA - Low; Client request)
- Independent Reviews (ANA - Low; Client request)
- Assistive Technology (ANA - Medium; Client request)

CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Placement Stability ANA - Medium Page 60	Improvements Required Status: Final	<p>Unavailability of key staff and information has had an impact during the current review, with the placement and information management teams being unable to assist with the audit due to other commitments. In other instances, no responses were received from officers contacted for information. As a result, our testing and opinion is based on the limited information available during the audit.</p> <p>We confirmed with the commissioning team that periodic procurement exercises take place to source various placements, with placement types being tendered as separate lots. We also confirmed by way of the website that the Authority actively promotes its fostering and adoption services. These are all effective means of ensuring adequate placements are available.</p> <p>Despite this however we note that there are still placements being made outside of the area due to the necessary placement not being available. Based on the figures that were made available during the audit, 11% of current placements for the locality in question were outside of the area. This suggests further improvements are necessary going forward. It was suggested that there are plans for 'stepping down' these placements over time (i.e. moving them to a location within the geographical area).</p> <p>The Authority has performed less than optimally with regard to placement stability for a number of years. A key measure of this is the percentage of children in care who experience three or more moves within a twelve month period. Whilst there has been some slight improvement in this metric during 2016/17, the current figure of 11.9% remains higher than the target of 10%, which represents the average score for 'good' authorities. Nevertheless the movement is in the right direction and there is good evidence of a number of activities within the service that have been taking place and are designed to address and improve on the stability of placements.</p> <p>In summary, the limited evidence available suggests that the Authority is making progress in addressing placement stability issues, however it will take some further amount of time before the Authority achieves its goals and provides a stronger service for looked after children for which it has a statutory responsibility.</p>	
Legal Care Proceedings ANA - Medium	Improvements Required	From discussions, we verified that casework is managed or overseen by professionally qualified and experienced staff. On the legal side, casework is managed by qualified lawyers supported by paralegals. On the social care side, cases are managed by fully	

CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Page 61	Status: Draft	<p>qualified social workers. Whilst the experience level of social workers varies widely, all are subject to regular supervision meetings with line managers at which cases are discussed and reviewed.</p> <p>Whilst court 'bundles' were generally presented well and in the format required by the judiciary, questions exist around the quality and timeliness of documentation prepared during and prior to proceedings. Untimely, missing or low quality assessments, statements and other supporting paperwork can and has resulted in the courts requesting further assessments or information which then results in delays in concluding proceedings. A request for further assessments is not always an indication of poor preparation however as we note that there have been occasions where assessments deemed by most parties to be of a good standard were nonetheless rejected by the judge.</p> <p>It is important that going forward, Social Care staff ensure that they provide the Legal team with all necessary documents in a timely way and that the Legal Team works to ensure these are then submitted promptly to the courts.</p> <p>Additional training and awareness raising for Social Care staff may also be beneficial in improving the quality of key supporting evidence, such as the Social Work Evidence Template form.</p>	

The following review is currently in progress:-

- SEN - High Needs Funding (ANA - Medium; client request)


The following reviews will be commenced in the second half of 2017/18:-

- Children Asylum Seekers (ANA - Medium; client request)
- Homelessness in 16/17 year olds (ANA - Low; client request)

CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
It has been agreed the audit of 'Preventing Adolescents from coming into care' (ANA - Medium; client request) be placed on hold due to the project currently being under review and that the review be deferred until the 2018/19 financial year.			
Early Help for Families Grant (Troubled Families)	N/A	DAP have verified and certified one claim to date this financial year.	
Schools Financial Value Standards (SFVS)	N/A	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2016/17 submitted to the Department for Education	

COMMUNITIES, PUBLIC HEALTH, ENVIRONMENT AND PROSPERITY

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Learn Devon - Enrolment Process ANA - Medium	Improvements Required Status: Final	<p>In order to inform our overall opinion of the service we visited four separate sites and conducted meetings with a range of administrative and business support staff.</p> <p>A number of positive impressions were obtained during the audit.</p> <ul style="list-style-type: none"> We found Customer Support Officers to be welcoming, helpful and supportive when dealing with clients by telephone or in person at the centres. We found the locations of centres conveniently placed to ensure service provision across the whole county. We found a number of mechanisms were in place to capture student feedback and course suggestions. We found the process for preparing and submitting monthly returns to the principal funding agency to be working well overall. Whilst the process does lead to the identification of errors within student records which then have to be excluded from the returns, these are investigated and corrected on an ongoing basis, minimising the number of excluded records. <p>The audit has also been able to confirm and identify a number of areas where improvements are deemed necessary.</p>	

COMMUNITIES, PUBLIC HEALTH, ENVIRONMENT AND PROSPERITY

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>IT support systems including EBS and the Learn Devon website were identified as having a range of issues varying from serious data protection concerns to concerns regarding functionality and user experience (both for service users and staff). Data Protection matters if not addressed could lead to significant fines from the Information Commissioner's Office in the event of a data breach whilst system functionality issues lead to frustration for both service users and staff who try to use the systems for their various needs (e.g. enrolment, payments, record keeping).</p> <p>Other issues involve the need for clear procedures for day to day operations such as the scanning of manual records and the processing of card payments.</p>	

The following reviews are currently in progress:-

Page 69


- Total Transport - PTAS (ANA - High)
- Management of Industrial Estate Portfolio (ANA - Medium)
- Early Help for Mental Health (ANA - Client Request)

It is anticipated that the reports will be issued and agreed in the third quarter of the 2017/18 financial year. No issues of major concern have been identified from our fieldwork to date.

The following reviews will be commenced in the second half of 2017/18:-

- Domestic Homicide Reviews (ANA - Medium)
- Channel & Prevent (ANA - Medium)
- TCS (ANA - Medium)
- Careers South West (ANA - Low)
- Public Health - Young Peoples Substance Misuse Service (ANA - Medium)

HIGHWAYS, INFRASTRUCTURE DEVELOPMENT AND WASTE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Shared Savings (Waste) ANA - Medium; Client Request	High Standard Status: Final	There are effective controls in place to ensure that accurate data is provided by the District Councils (WCAs). DCC undertake annual audits of the District Councils waste data.	

The following reviews will be commenced in the second half of 2017/18:-

- Infrastructure (ANA - Critical; Client Request)
- Highways (ANA - Critical; Client Request)
- Civil Parking Enforcement (ANA - Medium; Client Request)
- Failure to maintain C class and unclassified roads effectively (CRR HTM1, ANA - Medium; Client Request)
- Collaboration with Others (ANA - Low; Client Request)
- Footway Maintenance (ANA - Medium; Client Request)

Appendix 2 - Annual Governance Framework Assurance

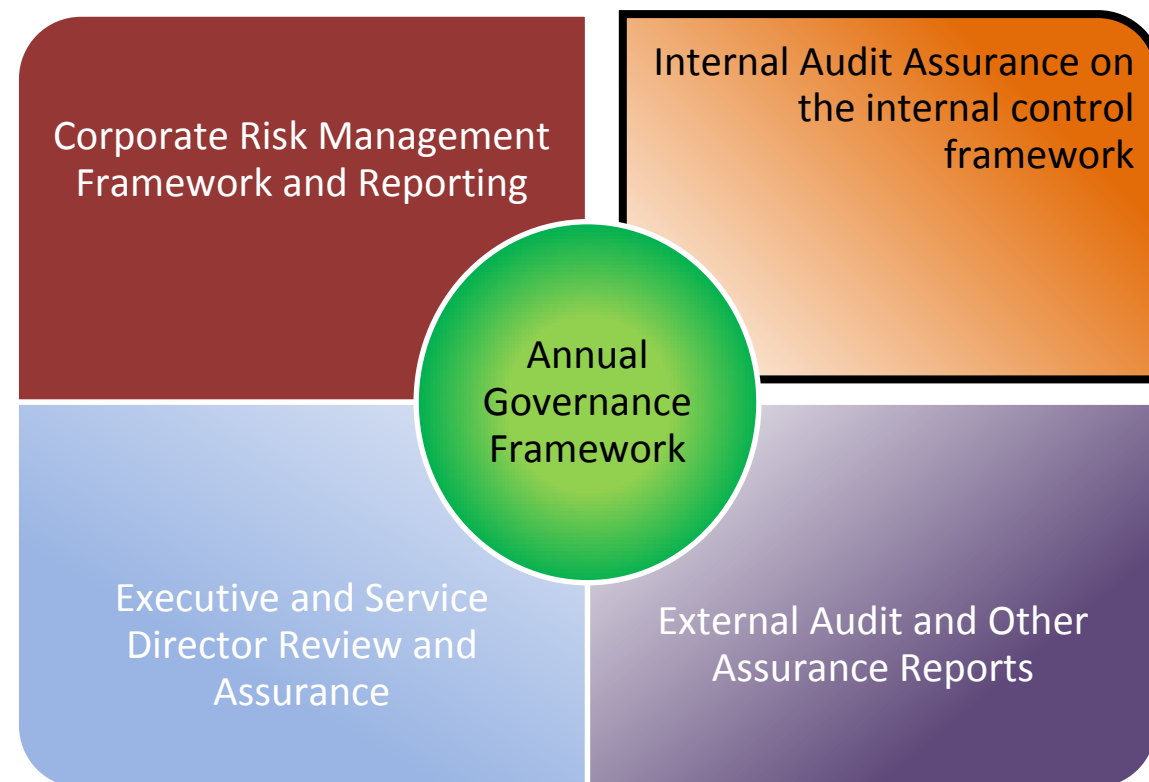
The conclusions of this half year report and the annual report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

The Annual Governance Statement provides assurance that:-

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

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

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon:-
 - the Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit;
 - Other reviews / assurance;
- Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance.



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

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

Appendix 3 - Basis for Opinion

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

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

- Page 66
- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
 - a comparison of internal audit activity during the year with that planned;
 - a summary of the results of audit activity and;
 - a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to audit plans has not been as notable this year as in previous financial years. Although certain changes have been made from the plans originally agreed this has been due to changes in operational business needs.

The scope of our audit work to date within this year has not been adversely affected as a consequence of investigatory works required to be undertaken and does not reduce the level of assurance that we are able to offer.

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



Appendix 4 - Audit Authority

Service Provision

The Internal Audit (IA) Service for Devon County Council is delivered by the Devon Audit Partnership (DAP). This is a shared service arrangement between Devon County Council, Torbay Council and Plymouth City Council constituted under section 20 of the Local Government Act 2000. The Partnership undertakes an objective programme of audits to ensure that there are sound and adequate internal controls in place across the whole of the Council. It also ensures that the Council's assets and interests are accounted for and safeguarded from error, fraud, waste, poor value for money or other losses.

Regulatory Role

There are two principal pieces of legislation that impact upon internal audit in local authorities:

- Page 67
- **Section 5 of the Accounts and Audit Regulations (England) Regulations 2015** which states that ".....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....."
 - **Section 151 of the Local Government Act 1972**, which requires every local authority to make arrangements for the proper administration of its financial affairs.

Professional Guidelines

We work to professional guidelines which govern the scope, standards and conduct of Internal Audit as set down in the Public Sector Internal Audit Standards (PSIAS). DAP through external assessment demonstrates that it meets the PSIAS. Our Internal Audit Manual provides the method of work and Internal Audit works to and with the policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.



Appendix 5 - Performance Indicators

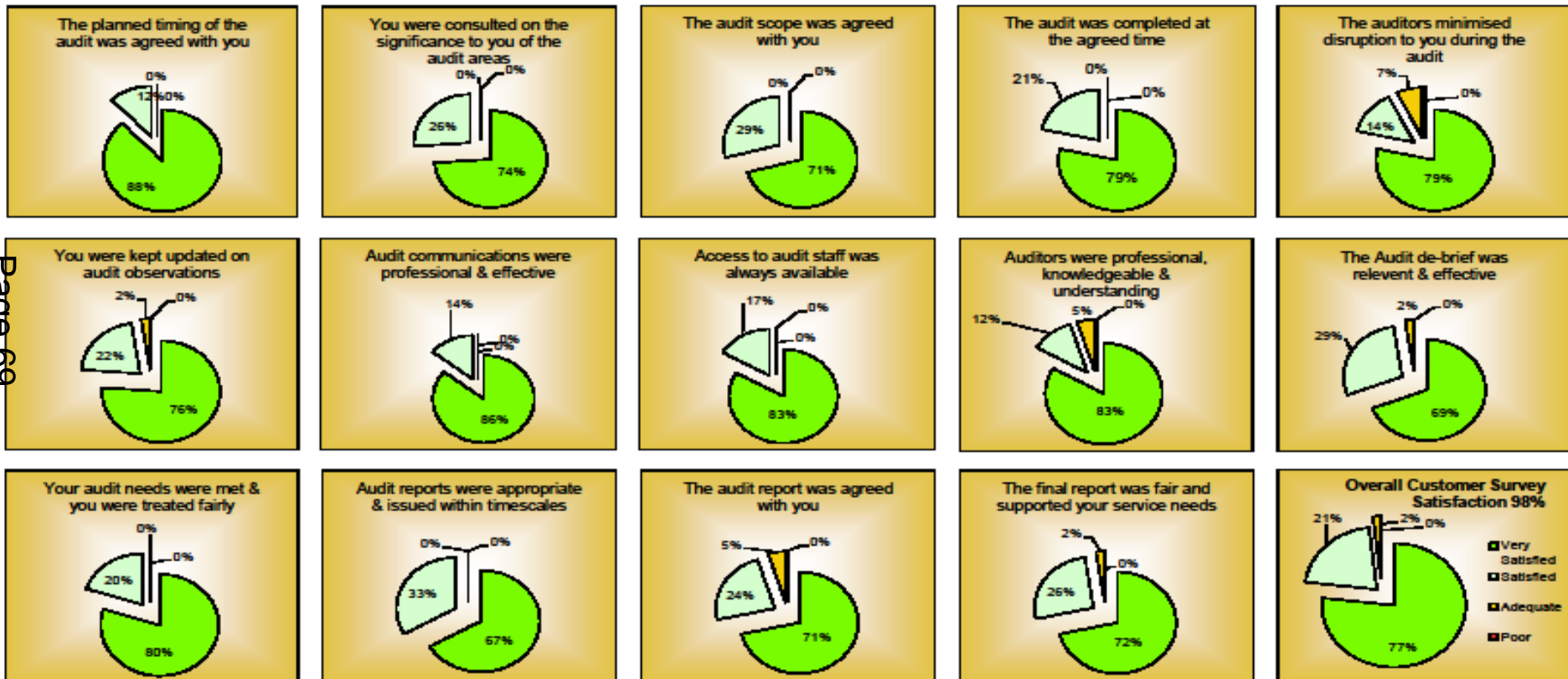
There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor the following Local Performance Indicators LPis:

Local Performance Indicator (LPI)	2015/16	2015/16	2016/17	2016/17	2017/18	2017/18
	Target	Actual	Target	Actual	Full Year Target	Six Month Actual
% of Audit Plan Commenced (Inc. Schools)	100%	100%	100%	97%	100%	58%
% of Audit Plan Completed (Inc. Schools)	93%	97%	93%	92%	93%	35%
Actual Audit Days as % of planned (Inc. Schools)	95%	101%	95%	107%	95%	51%
% of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	On target
% of chargeable time	65%	69%	65%	70%	65%	66%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	99%	90%	97%	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	87%	90%	89%	90%	87%
Final reports produced within target number of days (currently 10 days)	90%	94%	90%	97%	90%	93%
Average level of sickness absence (DAP as a whole)	2%	2%	2%	3.2%	2%	3.2%
% of staff turnover (DAP as a whole)	5%	5%	5%	21%	5%	7%
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	Yes

Appendix 6 - Customer Service Excellence

Customer Survey Results April - September 2017

The charts below show a summary of 42 responses received.



Page 69

This page is intentionally blank.

CT/17/100
Audit Committee
22 November 2017

**UPDATE upon DATA SECURITY and RESIDENTIAL / NURSING COMMISSIONING -
AUDIT PROGRESS REPORT
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 progress being made by management to address weaknesses identified through the internal audit process.

1. At the September 2017 Audit Committee members were provided with the Internal Audit Progress Report 'Follow Up Report on Areas Requiring Improvement' for the Council. Appendix A of this report provided a summary of the audits where an audit assurance opinion of 'improvements required' had been provided.
2. This report updates the Committee on progress with regard the "improvements required" issues identified in Appendix A to Report CT/17/69 in respect of Data Security and Residential / Nursing Commissioning .
3. The attached report sets out the progress made by management in implementing agreed actions to address the areas of weakness identified.

Mary Davis
Electoral Divisions: All
Local Government Act 1972

List of Background Papers

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

<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
'Follow Up Report on Areas Requiring Improvement'	14 September 2017	CT/17/69

There are no equality issues associated with this report.



devon **audit** partnership

Internal Audit Report

Data Security and
Residential / Nursing
Commissioning updates
further to Follow Up
Report on Areas
Requiring Improvement

Devon County Council

November 2017

OFFICIAL



Devon Audit Partnership

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.

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

Confidentiality and Disclosure Clause

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.

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

Introduction

Report CT/17/69 'Follow Up Report on Areas Requiring Improvement' was presented to the Audit Committee on 14th September 2017 and provided an updated audit assurance opinion as at 31st August 2017 on each of the audit reviews where an assurance opinion of 'Improvements Required' had been given as at 31st March 2017 (as detailed within the Annual Internal Audit Report (CT/17/63) presented to Audit Committee on 30th June 2017).

The minutes from the Audit Committee of 14th September 2017 stated that with regard Report CT/17/69:-

'Members expressed concern about the lack of progress in terms of addressing issues relating to data security and residential / nursing commissioning arrangements. Officers advised that the data security issue did not represent a fundamental weakness, but it was being monitored closely and if the situation did not improve a report would be brought back to this Committee.

RESOLVED

- (a) That an update on residential / nursing arrangements be included on the agenda for the next meeting of the Committee.

This report provides Members with an update regarding the two audit reviews 'Data Security - NPS Follow Up' and 'Residential / Nursing Commissioning Arrangements' both of which were reported with an Amber Direction of Travel.

Action / Progress since September 2017 Audit Committee

The table below details the current position relating to each audit review.

Risk Area	Commentary and residual risk
Data Security - NPS Follow Up	<p>All outstanding issues and concerns have now been highlighted to NPS as part of the ten year review process. The auditor responsible for the follow-up review has contributed to one of the meetings held with senior NPS representatives so that there was no ambiguity as to what concerns still existed.</p> <p>NPS has responded by providing initial evidence that not only has penetration testing of the Comino 2 solution been undertaken, but that NPS has undertaken steps in order to gain "Cyber Essentials Plus" accreditation. This accreditation allows an organisation to demonstrate that they have achieved a fundamental level of cyber security and provides the Council with some further assurance that baseline operational processes are now sound.</p> <p>Internal Audit are to liaise with the Property Maintenance and Compliance Manager in order to endeavour to be able to return an opinion of 'Good Standard'.</p>
Residential / Nursing Commissioning Arrangements	<p>Since the time of this audit a Care Homes Contract and Fee Model Review has been completed which will change processes and is due to be introduced April 2018. As a result some previous</p>

	<p>actions are no longer applicable. Of those that remain, all actions have been agreed and where possible are being incorporated into the new Care Homes Contract and Fee Model. This will include improved guidance for staff and training which will be completed prior to April 2018. Financial reporting will also be addressed to ensure finances are monitored effectively.</p> <p>Market sufficiency and resources continue to prove challenging. Thus resources will focus on dealing with new cases or clients requiring urgent attention and re-assessments may continue to be delayed.</p> <p>An audit of the new processes following the introduction of the new Care Homes Contract and Fee Model will be considered for the audit plan 2018/19, where we will be able to further report on progress.</p>
--	---

Assurance Statement

Our assurance opinion remains as reported in our Annual Audit Report 2016/17 as 'significant assurance'.

Robert Hutchins
Head of Audit Partnership

Definitions of Audit Assurance Opinion Levels

Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

Definition of Recommendation Priority

Priority	Definitions
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.

Confidentiality under the Government Security Classifications

Marking	Definitions
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.