

Phil Norrey
Chief Executive

To: The Chair and Members of the
Devon Audit Partnership
Committee

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

(see below)

Your ref :
Our ref :

Date : 7 November 2017
Please ask for : Dan Looker, 01392 382232

Email: dan.looker@devon.gov.uk
Fax :

DEVON AUDIT PARTNERSHIP COMMITTEE

Wednesday, 15th November, 2017

A meeting of the Devon Audit Partnership Committee is to be held on the above date, at 10.30 am in the Committee Suite - County Hall to consider the following matters.

PHIL NORREY
Chief Executive

AGENDA

PART I - OPEN COMMITTEE

- 1 Apologies
- 2 Minutes (Pages 1 - 4)
Minutes of the meeting held on 21 June 2017, attached.
- 3 Items Requiring Urgent Attention
Items which in the opinion of the Chair should be considered at the meeting as matters of urgency.
- 4 Six Month Update Report 2017/18 (Pages 5 - 20)
Report of the Head of The County Treasurer (CT/17/89), attached.
- 5 Budget Monitoring 2017/18 - Month 6 (Pages 21 - 22)
Report of the County Treasurer (CT/17/90), attached
- 6 Updated Risk Register October 2017 (Pages 23 - 28)
Report of the County Treasurer (CT/17/91), attached

7 Performance Indicators (Pages 29 - 36)
Report of the County Treasurer (CT/17/92), attached

8 Future Meetings
The next meeting is scheduled for 7 March 2018.

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

Nil

Part II Reports

Members are reminded that Part II reports contain exempt 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 – Comprising two members from Devon, Plymouth and TorbayCounty Councillors

Councillors J Matthews and C Slade

Torbay, Plymouth and Torridge Councils

Councillors J Mahony, P Hackett, B Boundy, A Tyerman, S Leaves and J O'Dwyer

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.

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NB   Denotes bus stops

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First Aid

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

DEVON AUDIT PARTNERSHIP COMMITTEE

21 June 2017

Present:-

Devon County Council:

Councillor J Mathews

Plymouth City Council

Councillor Dr J Mahony

Torbay Council

Councillor J O'Dwyer

Torrige District Council

Councillor P Hackett

Apologies:

Councillors A Tyerman (Torbay Council) and C Slade (Devon County Council)

* **1** **Election of Chairman**

RESOLVED that Councillor Mahony be elected Chairman for the ensuing year.

* **2** **Election of Vice-Chairman**

RESOLVED that Councillor Hackett be elected Vice-Chairman for the ensuing year.

* **3** **Minutes**

RESOLVED that the Minutes of the meeting held on 15 March 2017 be signed as a correct record.

* **4** **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

* **5** **2016/17 Revenue Outturn Position**

The Committee considered the Report of the Head of Devon Audit Partnership (CT/17/48) setting out the revenue outturn position and changes between month 10 and year end, the balance sheet as at 31 March 2017, the Accounting Statement and the Annual Internal Audit Report for 2016/17.

In response to Members' questions, the Head of Devon Audit Partnership explained that redundancy payments were borne by the Partners of Devon Audit Partnership, whilst acknowledging the existence of debtors at year end and the potential for setting up a bad debt provision.

It was **MOVED** by Councillor Mathews, **SECONDED** by Councillor O'Dwyer and

RESOLVED

(a) that the Devon Audit Partnership Revenue Outturn Position Report 2016/17 be noted and that approval be given for the Chairman to sign the Annual Governance Statement at Appendix 2;

Agenda Item 2

(b) that the Devon Audit Partnership Management Responses set out at Appendix 4 be endorsed.

* **6** **2016/17 Annual Report**

The Committee considered the Report of the Head of Devon Audit Partnership (CT/16/49) outlining the progress made by the Partnership during the course of the year; the ongoing development of arrangements with partners, including Torridge and Mid Devon Councils, and the continued high level of customer satisfaction achieved.

Members discussed, in particular, the Internal Audit Performance indicators relating to staff turnover and sickness.

It was **MOVED** by Councillor Mathews, **SECONDED** by Councillor O'Dwyer and

RESOLVED

(a) that revised Internal Audit Performance Indicators and targets be considered by the Head of Devon Audit Partnership and an update provided at a future meeting;

(b) that the Devon Audit Partnership Annual Report 2016/17 be noted.

* **7** **Impact of Membership Changes and Future Division of Surpluses/Deficits**

The Committee considered the Report of the Head of Devon Audit Partnership (CT/17/47) on the impact of the membership change on the quorum and current and future division of surpluses/deficits between partners.

Members discussed, in particular, the impact quorum requirements had on future deliberations.

It was **MOVED** by Councillor O'Dwyer, **SECONDED** by Councillor Mathews and

RESOLVED

(a) that from April 2017 the Committee notes that the quorum for the Devon Audit Partnership be "*one member from each partner*" with each partner having two representatives;

(b) that from April 2017 the Committee notes that the distribution of surpluses/deficits for the Devon Audit Partnership be based on contribution rates, rather than FTE numbers;

(c) that the quorum of the Committee be reviewed next year.

* **8** **Partnership Working with Mid Devon District Council**

The Chairman welcomed Councillors Evans and Radford from Mid Devon District Council who were attending as observers of the meeting.

The Committee considered the Report of the Head of Devon Audit Partnership (CT/17/50) on partnership working with Mid Devon District Council.

It was **MOVED** by Councillor Hackett, **SECONDED** by Councillor O'Dwyer and

RESOLVED

(a) that the delivery of Internal Audit management services to Mid Devon District Council by way of a service level agreement for the period May 2017 to end of July 2017 be noted;

Agenda Item 2

(b) that Mid Devon District Council becoming a non-voting partner of the Devon Audit Partnership with effect from August 2017 be endorsed;

(c) that the request from Mid Devon District Council to join the Devon Audit Partnership as a full member from April 2018 be endorsed.

* 9

Future meetings

15 November 2017; 7 March 2018 and 20 June 2018.

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

The Meeting started at 10.30 am and finished at 11.39 am

Agenda Item 2

DEVON AUDIT PARTNERSHIP – SIX MONTH UPDATE REPORT 2017/18 **Report of the County Treasurer**

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

Recommendation: that the Committee

1. **Notes** the six month update report from the Head of Devon Audit Partnership

Summary

The attached report from the Head of Devon Audit Partnership summarises activity in the first six months of 2017/18.

The report recognises the challenging stretch targets that the partnership needs to accomplish and that the management team and staff are working in a professional way to achieve these.

The Partnership recognises the need to diversify the services it provides and is looking to expand the current product range to include services that complement internal audit, and help towards the wider “assurance” agenda for our partners and clients.

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>
Nil		

There are no equality issues associated with this report



devon **audit** partnership

Internal Audit

Progress Report

Partnership Management Board

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November 2017



Auditing for achievement

Report of the Head of Audit Partnership

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

Recommendation: that the Committee notes the current status of the Partnership and current issues.

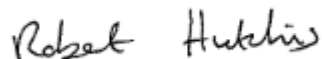
Update Report October 2017

As a partnership we are keen to extend our range and breadth of services. We consider that we are well placed to provide a wider set of assurance services that compliment internal audit. Examples of such services may include; fraud, corporate governance, information governance and risk management. In July we were asked by Devon County to help re-energise their risk management process, a role that we consider we are well suited to. We need to ensure we develop our own governance arrangements so that we can still audit those areas where we provide advice, but are looking forward to the challenge of extending our product range.

We see part of our role as developing the skills and knowledge of those charged with governance. Working with our colleagues (SWAP) during the autumn we are running two member focused conferences in Buckfast Abbey and at Haynes Motor Museum. We also continue to circulate our "Internal Audit View" newsletter, encompassing the views of 9 audit partnerships across the country.

In September we undertook a staff development day. This is always an excellent opportunity for staff to meet with peers and colleagues, share ideas and understanding and help further promote professional working relationships. We welcomed staff from Mid Devon to the event, and covered a wide range of topics from the understanding of LGBT+ issues in the workplace to how we can effectively "soft sell" additional services to our clients and partners.

As always, the success of the Partnership is down to the professionalism and hard work of all the team. At the end of the day they provide professional independent assurance on risk and control, helping the many and varied organisations we support achieve their objectives in an effective way.



Robert Hutchins
 Head of Devon Audit Partnership
 October 2017

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Finances and diversification



Diversification

As a partnership we know that our staff have a wide range of skills and experience; as the budget available for internal audit continues to be squeezed we consider that it is appropriate to look at other ways that we can help our partners and clients.

We are keen to extend both the range and breadth of services and consider that we are well placed to provide a wider set of assurance services that compliment internal audit.

Examples of such services may include; fraud, corporate governance, information governance and risk management. In terms of fraud, we currently provide assistance to “in-house” fraud, but consider that we could assist further by helping organisations prevent, detect and investigate fraud by clients and service users (for example in respect of council tax discount, social care payments etc.).

In July we were asked by Devon County to help re-energise their risk management process, a role that we consider we are well suited to. We have taken on an experienced individual to assist with this, and will look to learn from our work, potentially offering similar services at other partners and clients.

We have recently worked with our development partner, Audit West, running General Data Protection Regulations (GDPR) workshops. Our aim is to provide outline guidance and advice, but to be able to provide more specific support should this be needed.

We need to ensure we develop our own governance arrangements so that we can still audit those areas where we provide advice, but are looking forward to the challenge of extending our product range.

Budget position

The Partnership has consistently remained within budget, and at the end of 2016/17 carried forward a reserve of £181k. Our month six budget monitoring report indicates that our 2017/18 position will show a small budget surplus of £5k.



Wider Assurance

We continue to work with colleagues of Audit Together, aiming to promote internal audit and how it can assist our partners and clients.

We recently published our 5th edition of "Internal Audit View".

This edition provided advice and guidance on topical issues including the

- GDPR,
- Organised crime procurement,
- Risk – what is your focus
- Cyber Risk and
- using your internal auditors as a "trusted advisor".

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We are proud of our work with Audit Together and recently submitted details of our work to Public Finance as part of their annual **innovation awards** in the sector of Internal Audit.



Collaborating to improve services

An Internal Audit View

Welcome to the fourth edition of 'An Internal Audit View'.

In our last bulletin, we reported that we are a collaboration of seven local government Internal Audit Partnerships from across England and Wales. Taken together we partner with 11 County Councils, 9 Unitary Councils, 24 District or Borough Councils, 4 Police Authorities, 3 Fire Authorities and numerous other public sector bodies. Our ability to share benchmarking and best practice continues to grow for the benefit of our partner organisations. If we can help you in this way, please do not hesitate to contact your Head of Audit.

Contents: **Organised crime procurement** 3 **Risk – What's your focus?** 4 **Cyber Risk** 5 **Auditor – Trusted Advisor** 6

General data protection regulations

These will be the new regulations that used to be covered by the Data Protection Act.

Are you ready?

Brexit doesn't make a difference! It has been decided that this is going to be taken on in English statute and therefore whether we are in the EU, article 50, or anything else, does not make any difference, we must be compliant by May 2018!

As with all regulations, your Authority will need time to implement the necessary controls to ensure compliancy, so they need to be looking at the requirements, the 'as is' position, and the need to achieve this. Your Authorities need to be thinking about and planning this NOW! Do you have it in your 2017-18 Audit Plan?

The main differences between the current DPA and the new GDPR are:

- Increase in levels of fines; removal of fees;
- 'Child' Language – any guidance regarding the rights of children must be understandable by children; ensuring mechanisms remain in place for gathering parental or guardian consent;
- Data Protection Officer – a DPO must be appointed;
- Abolition of the £10 fee as standard; reduction in timescales; greater burden of proof to demonstrate

- New data portability requirements infer that they relate to the private sector, however authorities may wish to review any data sharing to establish any applicability;
- Breach definition and reporting – there will now be a need to report certain types of data breach to the relevant supervisory authority, and in some cases to the individuals affected;



Further guidance

So you now need to support your Authorities in the journey to compliance. The Information Commissioners Office have provided various advice and guidance, the key pieces being:

<https://ico.org.uk/media/1624219/preparing-for-the-gdpr-12-steps.pdf>

Adding Value

We know that “doing an audit” is not enough for our customers these days; we know that senior management and those charged with governance very much value our independent assurance, & welcome our identification of untreated risk or control weaknesses, but they also want an audit service that “adds value”.

Added value will mean different things to different people at different times; it is not about a “buy one get one free” approach, but it is about using our professionalism and ability to apply a unique and independent approach to help organisations and managers provide their services in the best possible fashion. We employ staff who can make a difference and encourage them to “add value” at every step in the audit process. We set out below some comments received from customers **since June** who agreed that we have achieved this aim.

Waste Management, Aug 2017

- “the audit added value by suggesting system methodology tweaks that helped improve the system.”

Schools, August 2017 -

“The audit added value in that we were able to further strengthen our systems. It was a very fair and informative audit process.”

Schools , August 2017 -

“The audit was able to add value in that suggestions were made and discussions had over practice, and we were able to amend the way in which we account for Extended School payments.”

Adult and Community Learning, July 2017 -

“The audit added value as it was helpful to raise the profile of issues we are facing within the Council that lie outside our control. Senior managers are now aware and have expressed an interest. It was a very positive experience.”

Care Leavers Transitions, June 2017 -

“The Audit was able to add value as it confirmed our thoughts and identified actions. It was good to get an independent view of this as confirmation and I am sure it would have highlighted anything we had missed.”

Creditors, July 2017 -

“. Value was added by highlighting an area that may need attention.”

Staff and Partner Development

Regional training for Audit Committees

In previous years we have worked with SWAP, (South West Audit Partnership) to deliver training sessions for senior management and audit committee members.

We have again run training sessions this Autumn, at Buckfast Abbey and Haynes Motor Museum.

In previous years the events have attracted a wide range of delegates – last year 72 members representing 26 different public sector organisations.

This year, our events will focus on how the audit committee can use internal audit as a “critical friend” and how to ensure that committee sees the “bigger picture”.



GETTING THE GOVERNANCE RIGHT

A Guide to Survival



**Free
Event**

What do Elected Members and Representatives need to know in order to fulfil their vital role as the guardians of public sector corporate governance? Understanding what your responsibilities are and where you can get the assurance you need will be paramount.

By attending this event you will be better equipped to ask the right questions of the right people at the right time. You will gain an understanding of some of the risks your organisation may be faced with in a rapidly changing environment of uncertainty.

Objectives ● By attending this event you will gain insights on:

- ➔ How internal audit can be the ‘critical friend’ of the organisation and the eyes and ears of the audit committee
- ➔ What the strategic risk ‘big picture’ looks like and what to look out for
- ➔ How the external auditor sees the challenges ahead
- ➔ What cyber threats are likely to affect your organisation and what you can do about them
- ➔ How risk taking can be harnessed to the advantage of your organisation
- ➔ The Director of Finance’s perspective— what does it all mean for your organisation?

New work

Since the start of the financial year we have added a number of new clients to our client base. The majority of these are in relation to EU funded projects, where we work as First Level Controller. The level of income generated is modest, but is always useful, and does provide opportunity to further develop relationships should we deliver an effective service. New clients include:-

- Hampshire County Council AmicusHorizon (Housing Association)
- Citizens Advice 1066 Project (east Sussex)
- Cornwall Mobility (ADAPT project)
- Plymouth hospital NHS Trust (ADAPT project)
- Plymouth University (a range of projects)

We have also supported our current client with additional work requests, and this includes the Fire Service and Dartmoor National Park.

Staff Training Programme

We continue to invest a percentage of our budget in the development of staff; we have recognised that, whilst the overall audit budget continues to reduce, the need for high quality assurance services does not. Indeed, with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated and versatile audit staff has never been higher.

In terms of professional training, we have 1 member of staff who is currently studying for the Institute of Internal Auditors (IIA) qualification; with one exam left to complete.

In September, we had a development day for all staff. A wide range of work related issues were discussed; these included:-

- Diversity in the workplace – LGBT+ Awareness
- Collaboration – with Audit West
- Risk Management – and how to help organisations define risk better
- Data Protection Bill – incorporating the GDPR
- Commercialisation – how we can “sell on” our services to help our partners and clients
- Lean Processes

Staff are encouraged to attend courses and seminars that develop their audit skills, develop skills for the partnership and also further develop network opportunities. Events attended over the year included:-

- IIA Annual conference • GDPR awareness session • Warning and Advice Reporting

Customer Service Excellence (CSE)

DAP continues to be successful accredited in the CSE standard.

In June 2017, June Shurmer of G4S, our assessor, visited the team and evaluated our customer services against a rolling programme. The CSE standard expects and requires “continuous improvement”

June confirmed that we meet the standards, but did, helpfully, identify areas where we could further strengthen what we do and how we do it. In particular, June identified that although all staff had received induction training in diversity, we had not followed this up with any detailed work, particularly around LGBT+ issues.

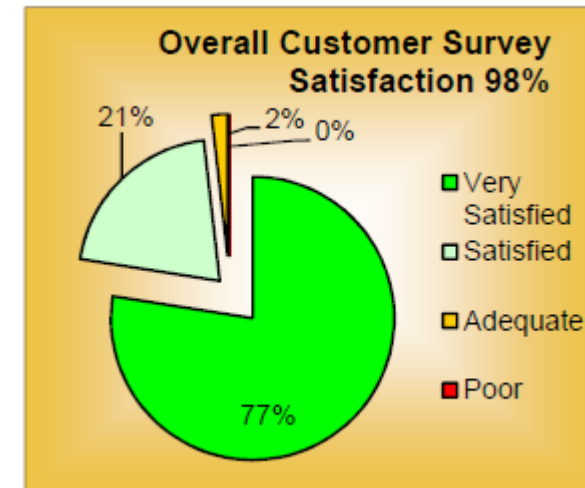
In response to this we arranged a session from officers at the Intercom Trust for all DAP staff. Andy Hunt and colleagues from Intercom provided much needed awareness, guidance and direction in how all staff should use their awareness in a work based setting.

As always, we issue client survey forms with our final reports. The results of the surveys returned remain very good and very positive. The overall result is very pleasing, with 98% being “satisfied” or better across our services, see appendix 1. 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.

We seek feedback from customers from all sectors that we work in, but receive a good rate of return from schools, be these grant maintained or academy. An extract from some of the feedback received since June is shown below :-

- *ICT Risk Workshop, Sept 2017 - “Many thanks for organising the risk workshop, a really useful session and one that all attendees got a lot from.”*
- *Treasury Management, June 2017 - “As ever I’ve been impressed with the Auditors’ background knowledge of Treasury Management and the appropriateness of their procedures and methods.*
- *Domiciliary Care, June 2017 - “Can you thank all the Audit team for their support in helping us turn this round. It is a clear example of Audit’s role in service improvement”.*
- *Schools, August 2017 - “The auditor was very professional and helpful at all times. Being new to the role I found the audit an excellent tool to ensure I was completing correct practices.*

DAP – Customer Survey Results 2017/18



Internal Audit Performance

Devon Audit Partnership - Performance monitoring 2017/18					
Six month performance (end of September 2017) Inc Schools					
Local Performance Indicator (LPI)	Full year Target	6 mth Target	Quarter 2 2017/18	Quarter 2 2016/17	Direction of Travel (where applicable)
Percentage of Audit Plan Started	100	45	58%	43.0%	↑
Percentage of Audit plan Completed	90%	40%	35%	38.3%	↓
Percentage of chargeable time	65%	65%	66.3%	66.7%	↔
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	90%	98%	97.0%	↔
Draft Reports produced within target number of days (currently 15 days)	90%	90%	87%	88.0%	↓
Final reports produced within target number of days (currently 10 days)	90%	90%	93%	98.0%	↓
Average level of sickness absence	2%	2%	3.18%	5.6%	↓
Percentage of staff turnover (4 staff (2 leavers & 2 starters) = 15%)	15%	8%	7% (2 people)	17.0%	↓
Out-turn within budget	Yes	Yes	Yes	Small overspend of £2k	↔

Commentary

In general, performance is on target. There are a few areas that will benefit from further explanation:-

Percentage of Audit Plan completed – as at end of September, 34% of audits had been “completed” – i.e. a draft report had been issued. This is less than our target, however is due to assignments being “ongoing” at the end of September. DAP management are content that progress is being made and have no undue concerns at this time.

Average level of sickness

Sickness still runs higher than our target. Sickness in the first 6 mths of 17/18 has totalled 105 days (against a full year expected level of 142 days).

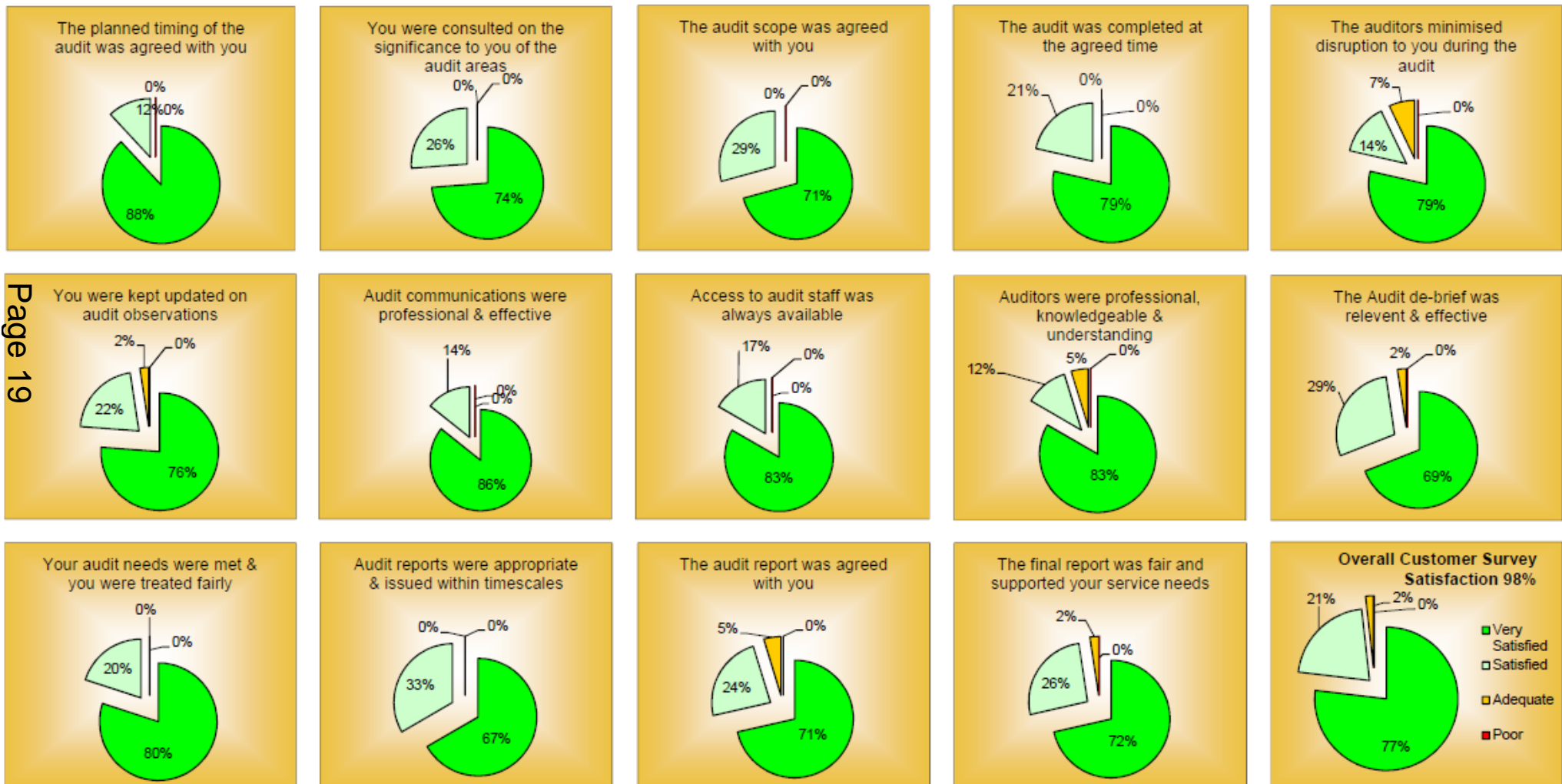
Notable periods of absence in the period April to end of September 2017 include:-

- Eye Surgery – 32 days
- Loss of father (stress related) - 15 days
- Virus and post virus recovery – 9 days
- Mental Health / anxiety – 10 days

Appendix 1 - Customer Service Excellence Results – 2017/18

Customer Survey Results April - September 2017

The charts below show a summary of 42 responses received.



DEVON AUDIT PARTNERSHIP – BUDGET MONITORING 2017/18 – Month 6
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

1. Note the projected outturn
2. Note variances and reason

Summary

The Budget monitoring at month 6 indicates a potential for a slight underspend at the year end. The variance is mainly because of increase income (5.84%) from extra work undertaken by the partnership, but this is offset by the increase in staff (5.08%) to complete the work.

Projected premises (1.32%) shows a slight overspend, which is due to an additional venue hire.

Transport costs (19.15%) are over target; this is due to the increased expenditure in work the partnership has performed with its clients.

Supplies and services (8.61%) show an overspend, this is due to the use of external staff to cover the additional audit work and other small overspends, but this has been offset by a slight decrease in the charges for other communication cost.

Income has grown (5.84%) due to the supply of extra audit services to Devon and Somerset Fire and Rescue Service, Devon County Council (risk management services), EU funded schemes and other local authorities (including Mid Devon District Council).

The table below analyses the under/over spend:

	2017/18 Base Budget	Projected Outturn	Variance
	£	£	£
Employees	1,076,600	1,131,300	54,700
Premises	38,000	38,500	500
Transport	28,200	33,600	5,400
Supplies & Services	75,500	82,000	6,500
Support	21,600	21,600	0
Income	(1,239,900)	(1,312,300)	(72,400)
Total	0	(5,300)	(5,300)

Agenda Item 5

Variances (items over £1,000):

Employees – Staff Costs £ 54,700;

Transport – Travel Expenses £ 4,700;

Supplies and services – increase for External staff £ 3,900 and IT licences £ 5,700, Other communications costs £ (5,000)

Income – £ (72,400) - due to increased service provision to Fire, DCC, EU funded schemes and other local authorities.

Robert Hutchins

Head of Partnership

16th October 2017

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

DEVON AUDIT PARTNERSHIP – UPDATED RISK REGISTER OCTOBER 2017

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

1. the updated Strategic and Operational risk register
2. the actions in place to reduce risks to an acceptable level

Summary

The attached document sets out the updated Strategic and Operational risks facing the Partnership.

The risks facing the Partnership are constantly changing; risks are influenced by both “outside” factors (e.g. changes to funding) and internal issues (the way that we operate).

The key risks that we currently face include:-

- Change in priorities or dissatisfaction of one of the partners results in a partner leaving;
- Reducing Client base, compromising the viability of DAP; and
- Information Governance – non-compliance due to multiple storage areas and data transfer arrangement.

Partnership management continue to monitor our mitigating actions to ensure that these risks do not materialise.

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>
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Nil

There are no equality issues associated with this report

Devon Audit Partnership - Strategic and Operational Risk Register Updated Oct 2017

Ref	Risk Description	Inherent			Mitigating control	Controlled			Further action required	By When
		Impact *	Probability	Risk *		Impact	Probability	Risk		
Strategic Risks										
S1	Change in priorities or dissatisfaction of one of the partners results in a partner leaving.	4	2	6	Continued development of service. Impact of a single partner leaving now reducing due to more partners and increase of funding from other clients. Continued need to “evidence” added value.	3	2	6	Identify new Partners as appropriate. Continue to work with the Partnership Cttee and explain the benefits that DAP bring to each partner. Deliver plan and ensure that we “add value” in a way appreciated by each client.	Ongoing Ongoing
Page 25	Reducing Client base compromises viability of DAP	3	3	9	Marketing programme / bids for new work maintains or improves the turnover. Diversification – offer more than just internal audit (e.g. risk management)	3	2	6	Improved marketing to extend into known market areas e.g. academy schools Develop and promote other services that compliment DAP.	30/4/2017 and ongoing Winter 2017
	S3	Reputational damage from poor quality audit delivery	3	2	6	PSIAS – Assurance. CSE – delivery Internal QA process. Staff development – e.g. LGBT+ awareness	3	1	3	Extend the QA process. Annual CSE “inspection”.
S4	Information Governance – non-compliance from multiple storage areas and data transfer means. Loss of data due to IT failure / unable to use secure data transfer arrangements	3	3	9	Good understanding and awareness of GDPR requirements. Part of DCC network – so lots of resilience. Data sharing agreements prepared and shared / agreed with each partner. Use of Mki – hosted software supplier.	3	2	6	Data sharing agreements need to be refreshed / updated to reflect current legal advice / best practice. GDPR will become Data Protection Bill – ensure we know of any changes.	Dec 2017 Winter 2017

* Risk score based upon the DCC approach to Risk Management. <http://staff.devon.gov.uk/riskmanagementstrategy2011.pdf>

Ref	Risk Description	Inherent			Mitigating control	Controlled			Further action required	By When
		Impact *	Probability	Risk *		Impact	Probability	Risk		
Operational Risks										
O1	Failure to deliver agreed audit plan in line with current targets resulting in increased control risk to clients and lack of confidence in DAP as a provider.	3	3	9	Wider client base reduces exposure for individual clients. Close and effective management of work against plans. Clear understanding and control of time spent on "overheads" / non productive work.	2	2	4	Improve consistency of monitoring through greater use of and improved performance management systems. Make best use of IT to ensure valuable people resource is used as effectively as possible. Strong and effective management to tackle areas of concerning performance.	Ongoing
O2	Inefficient or expensive support arrangements, including IT, accommodation, finance services etc.	2	2	4	Partnership is hosted by DCC who provide majority of support services. Hosted Audit Management system (Mki).	2	1	2	Support arrangements (including ICT arrangements) under constant review to ensure we get best value. Detailed costing review as part of 2017/18 budget setting process.	Ongoing Dec 2017
O3	Insufficient revenue budgets: a) to deliver service effectively;	2	2	4	IA requirements depend on each organisation (maturity, risks, pace of transformation, effectiveness of control arrangements, management ability etc). Engage partners and clients to determine audit needs and set internal audit level. Signed SLA with main partners. Signed SLA's with other customers.	2	2	4	We continue to Work with West of England group in developing models for "determining" audit resource levels – but there is increased risk that resource may be insufficient to enable IA to provide an audit opinion. Work with Audit West to further develop products and services. Diversify into other complimentary activities.	Ongoing

* Risk score based upon the DCC approach to Risk Management. <http://staff.devon.gov.uk/riskmanagementstrategy2011.pdf>

Ref	Risk Description	Inherent			Mitigating control	Controlled			Further action required	By When
		Impact *	Probability	Risk *		Impact	Probability	Risk		
O3	b) – leads to reduce knowledge base	3	3	9	Pool staff provide additional skills. Collaborative working arrangements e.g. Strategic Alliance provide alternate skills Staff training programme develops staff skill.	3	2	6	Continue to extend additional collaborative arrangements. Continue to identify additional pools staff Update and review the training programme	Ongoing Dec 2017
	c) – reduces capability and capacity to deliver effective partnership objectives.	3	3	9	Pool staff provide additional skills. Collaborative working arrangements e.g. Strategic Alliance provide alternate skills / resource	3	2	6	Continue to extend additional collaborative arrangements. Continue to identify additional pools staff	Ongoing
O4	Failure to make stay within financial envelope.	2	2	4	Good notice of what is required. Good understanding of cost base and how we can quickly adjust our cost base.	2	1	2	Continuous monitoring. Continuous need to sell services to other clients.	Ongoing
Page 27	Failure to adopt "modern auditing techniques" – resulting in lack of confidence.	2	3	6	Management Team to keep abreast of developments in the wider internal audit world. Awareness of new legislation e.g. GDPR.	2	2	4	Continued team and individual professional development. Annual review of training needs via appraisal process.	Annual review Oct 2018.
Q6	Higher than expected levels of staff sickness prevent completion of agreed annual internal audit plans / areas of development for the service.	2	3	6	Monitoring sickness levels (via PRISM). Work with HR colleagues to ensure that HR best practice is being followed. Understand our employees physical and emotional wellbeing – try to anticipate sickness pressures and take action to address.	2	2	4	Understand our employees physical and emotional wellbeing – managers to pick up through regular one to one sessions.	Ongoing

* Risk score based upon the DCC approach to Risk Management. <http://staff.devon.gov.uk/riskmanagementstrategy2011.pdf>

Agenda Item 7

CT/17/92
Devon Audit Partnership Audit Committee
15th November 2017

DEVON AUDIT PARTNERSHIP – PERFORMANCE INDICATORS

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 consider potential performance indicators, as set out in this paper and supporting pages, and advise the Head of Partnership which indicators will be of use going forward.

Summary

Since it was set up the Partnership has used a suite of performance indicators designed to provide management and members with information on performance and trends in performance.

At recent Partnership Committee meetings members have asked if it is possible to have more varied performance indicators that can help further develop the business. Attached to this report (Appendix A) is a listing of performance indicators for which data can be obtained and that could be used to monitor performance.

Attached at Appendix B are some charts and graphs that demonstrate how the data could be presented to management and this Committee.

Members are asked to consider the potential performance indicators as set out in the appendices, and to advise which indicators will be of benefit going forward.

Mary Davis

Electoral Divisions: All
Local Government Act 1972

List of Background Papers

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

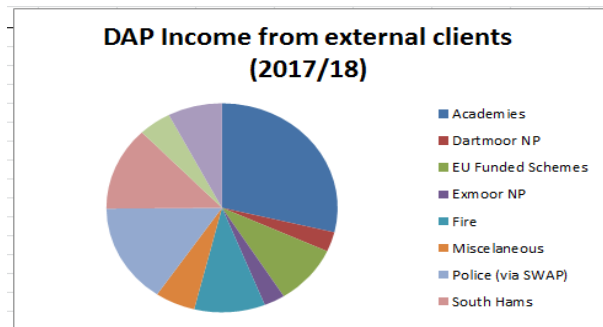
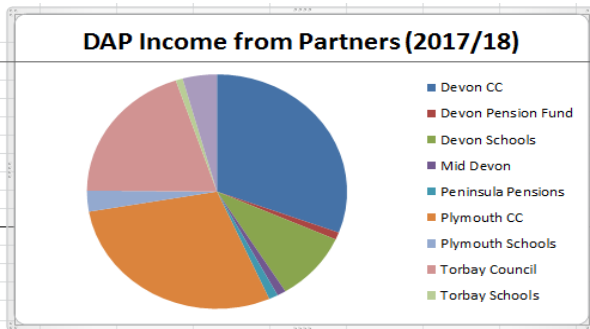
<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
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Nil

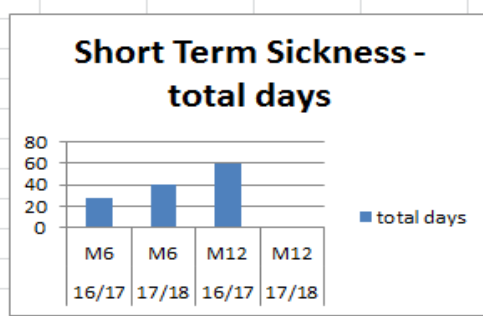
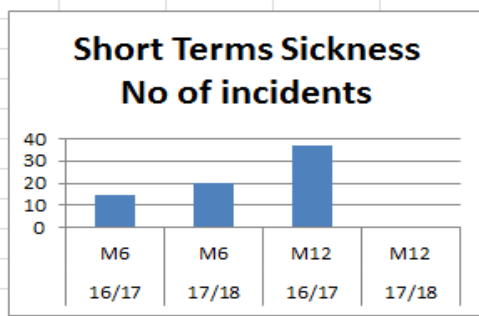
There are no equality issues associated with this report

Analysis of income by Partner

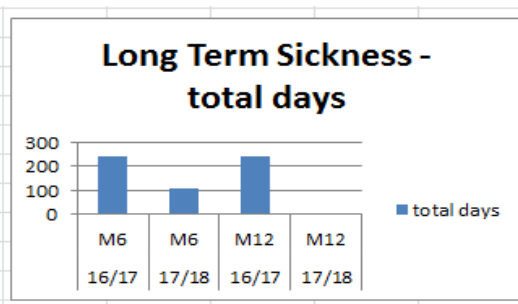
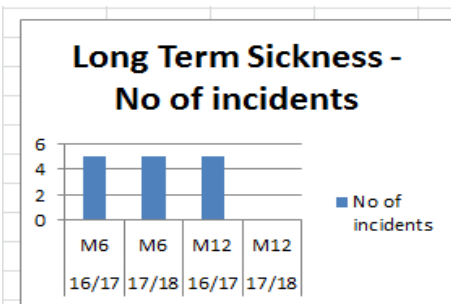
Analysis of income by External Client



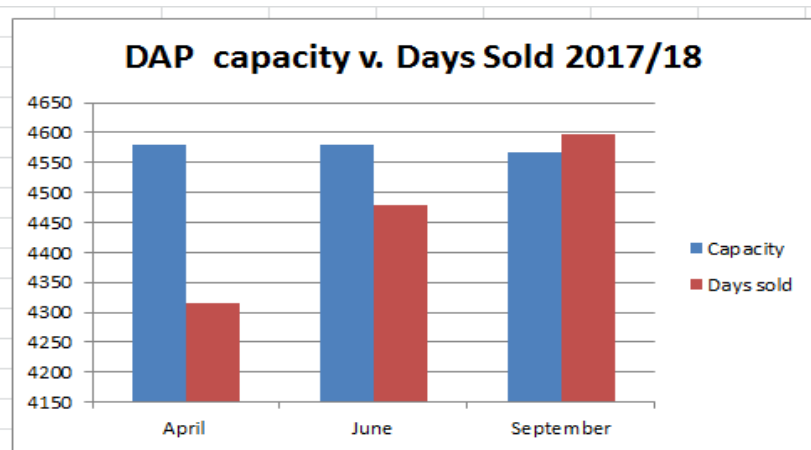
Comparison of Short Term Sickness - current year v previous year



Comparison of Long Term Sickness - current year v previous year



DAP Capacity v Days "sold"



	Local Performance Indicator (LPI)	Explanation	Comments	Full year Target	6 mth Target	Quarter 2 2017/18	Quarter 2 2016/17	Direction of Travel (where applicable)
Delivery	Percentage of Audit plans Completed for all our partners / clients	To provide assurance it is expected that we will deliver the agreed plans. Plans are not "tablets of stone" and should amend as risks develop. A 90% target is seen as sensible.	We compare the percentage of the audit plan completed at each of our "partners" and use this to drive our PI. At present, we do not include "external clients" - mainly because it is fiddly and time consuming to do so - but could be done.	90%	45%		38.30%	
	Percentage of chargeable time	We need to maximise the productivity of staff, understanding the value in training and developing. Keeping productivity high helps to keep our daily charge rate low.	A good target to have. Can be measured and compared in benchmarking exercises.	65%	65%		66.70%	
	Draft Reports produced within target number of days (currently 15 days)	We need to conclude our work and report our findings quickly so that management can address concerns / risks identified.	Standard IA target	90%	90%		87.70%	
	Final reports produced within target number of days (currently 10 days)		Standard IA target	90%	90%		98.37%	
Customers	Customer Satisfaction - % satisfied or very satisfied as per feedback forms	This is about ensuring we treat our customers professionally; it is not about the results of the audit work.	Is 90% too low?	90%	90%		99.00%	
	Our audits "add value" to auditee and wider organisation.	Value added means different things to different people and different times; our aim is to provide added value in each audit, but this must be a client perception. In 16/17 we rec'd 13 individual feedback saying we had added value from a total of 103 feedback surveys. So 10% of returned surveys? Could this be our benchmark? Appreciate a "low" target, but it is difficult to get all clients to respond.....	Tricky. Sometimes customers will say "the audit added value as it confirmed all was OK" - is this really added value?	Currently we provide a snapshot at each Audit Cttee, showing some of the comments made. Is this useful?				

	Local Performance Indicator (LPI)	Explanation	Comments	Full year Target	6 mth Target	Quarter 2 2017/18	Quarter 2 2016/17	Direction of Travel (where applicable)
Staff	Sickness - short term < 5 days per episode	Short term sickness may be a sign of recurrent issues / unhappiness at work. Aim to keep as low as possible.	Bar chart ? To compare this and last year? Potential to break down by sickness type? Cold / D&V / stress etc.					
	Sickness - long term > 5 days per episode	Longer term sickness is often as the result of an operation or underlying medical issue not resolvable in the workplace. We need to understand reasons, make adjustment where possible, to facilitate a speedy return.	Bar chart ? To compare this and last year? Add commentary to support - E.g." we needed to make for allowances for x people and this allowed them to return sooner." Could also use this to outline any impact that the adjustments had on the partnership?					
	Staff - leavers	Annually - Could help to identify "problems"						
	Staff - starters	Do we need?	Suggest removing	5%	5%		13.00%	
	Unqualified staff undertaking formal training	Aim to have all staff "professionally qualified" in a relevant qualification ?						
	Management - appraisals completed	All staff to have an annual appraisal at some time during the financial year.	Pie chart showing % completed	100%				

	Local Performance Indicator (LPI)	Explanation	Comments	Full year Target	6 mth Target	Quarter 2 2017/18	Quarter 2 2016/17	Direction of Travel (where applicable)
Finance	Capacity - days to "sell" or overcommitted.	Each year our partners / clients will agree audit plans; these indicate the days required. History tells us that each year more audit days are purchased - either to help with specific pieces of work, or possibly to cover for unforeseen circumstances (staff sickness etc.). In addition we need spare capacity at the start of the year in order to be able to deliver the extra work that we aim to sell. Our aim is to be aware of our starting gap, to close this gap during the year and ensure we do not overcommit our staff in delivering new or additional work.	Graph showing capacity and days sold. - 1/4/17 capacity = 4580; sold = 4316; spare 264 days - 30/6/17 capacity = 4580; sold 4480; spare 100 days - 30/9/17 capacity =4568; sold = 4597= over sold 29 days May be better as a line graph to show trends from one reporting period to the next.					
	Out-turn within budget	Aim to at least stay within budget.	Possibly a "stretch" target for a surplus ?? 1% of turnover = £12k - but this has not been achieved in last 4 years.	Yes	Yes		underspend	
	Clients / partners attracted	We wish to both retain and extend our client base. This indicator could inform on whether the expected number of new clients / partners are being / have been attracted. Note - Teckal rule may still have some relevance (80% of turnover to be "controlled2 by partners).	Pie chart showing where are income comes from.? But how do we set a target? Do we say 1 partner a year? But this is just a "guess" and not a real target. Currently 85% of our income is from "partners" - perhaps we look to simply increase this? Perhaps "increasing income on a steady and sustainable trajectory"?					

	Local Performance Indicator (LPI)	Explanation	Comments	Full year Target	6 mth Target	Quarter 2 2017/18	Quarter 2 2016/17	Direction of Travel (where applicable)
	Diversification - increase in "non-audit" business	We wish to diversify our services, providing more than just audit. This PI could measure how successful we are.	<p>Pie Graph to show income by source type? But how do we set a target? At start of year this was 100% audit - now £35k from DCC re Risk Man.</p> <p>Do we set a £ target or a % target?</p> <p>Diversified income may come from our partners - so possibly in our partners hands, not DAP's?</p> <p>Balance to be achieved between an "easy" target and one which is realistic. (note all extra work needs to be delivered, so income is only one side of the challenge).</p>					