

Internal Audit & Assurance

Annual Report 2017-18

Partnership Management
Committee

June 2018



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.

Review of Devon Audit Partnership 2017/18

2017/18 was an eventful year for the Partnership. I am pleased to report that we have again made a small operating surplus, and have been able to grow our client base by formerly welcoming Mid Devon District Council to the Partnership.

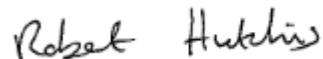
During the year we set out our vision to be a wider assurance service, rather than just an internal audit provider. To this end we have set up Risk Management advisory services for Devon County Council, and are offering this service to other organisations. To aid our sector and wider not-for-profit knowledge we have set up a regional risk management working group, covering Health, Blue Light and other public sector services such as the Met Office

We have worked with Plymouth City Council to receive their Counter Fraud Team. We aim to make available to our partners and customers the pro-active and reactive professional fraud investigation service that the team provide.

We are currently helping a number of organisations be ready for the impact of new data protection regulations (GDPR) – we are keen to help all our partners and clients address risks and concerns, rather than just pointing out faults and weaknesses.

Our work as part of Audit Together was recognised nationally, as one of the finalists at the Public Finance Initiatives award. We were not the eventual winners, but to be one of the three finalists was still a great achievement.

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
 June 2018

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Finance, diversification and new business

Budget position

The Partnership has consistently remained within budget and at the end of 2017/18 carried forward a reserve of £181k. The out-turn for 2017/18 shows that a small surplus was achieved (£4k). This has been achieved through careful monitoring of the budget and careful use of fixed term and contract staff to deliver the changing work pattern of our clients.



Counter Fraud Service

In our last report we referred to the Counter Fraud Team and the intention to bring this service, and the staff employed, into the range of services offered by Devon Audit Partnership (DAP). The CFT team are seen as a leader in the field of counter fraud work in the South West; it has an experienced, committed and fully qualified team of investigators who are “Accredited Counter Fraud Specialist” or “Accredited Counter Fraud Technicians”.

All of the team have been transferred to DAP by way of a TUPE process. We are working to further develop the services / products they offer to ensure that all our partners and clients can gain from their experience and expertise.



New business

We have been successful in our bid to be the First Level Controller of the Compete IN Interreg Project being led by Leeds Beckett University and the GrowIn4.0 Project whose Lead Partner is TWI in Cambridge.



We have been asked by Kaleidoscope to undertake a review of social care contracts rather than using their appointed auditor.



We are working with Audit South West – the internal audit provider for the Health Service and they are using our skilled employees to undertake Business Continuity audits at key Trusts including Devon Partnership Trust and University Hospital Bristol.

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 the turn of the year** who agreed that we have achieved this aim.

Care Leavers Transitions - “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.”

Fire – March 2018
DAP’s **understanding, and flexibility** with our audit requirements for financial year 2017-18 was **tremendous**, and their patience whilst the Audit & Review manager started was greatly appreciated.

Schools, February 2018
“We will be able to make some **savings in time** as a result of information that has come from our audit. It was also particularly helpful to have confirmation that we are able to reduce some of the paperwork we were doing. We were very happy with the way the Auditor conducted the audit and how clear and easy to understand the feedback session was

Schools, April 2018
“The auditor is always very approachable. I believe the **value added** is in reporting to the trustees that the finance team have policies and procedures in place to ensure a tight control of the academies finances which is reassuring to them. Overall – completely satisfied with the audit process

Mid Devon – April 2018
We are very pleased with our new auditing arrangements delivered by DAP and are already seeing a number of process improvements which are **adding value** to our internal audit system.

Collaborative Partner Working



Our work with Audit Together was recognised nationally, where we were finalists in the Public Finance innovation awards in the sector of Internal Audit.



Unfortunately, we were not the winners in our category, but are very proud of making the shortlist for this prestigious award.

Counter Fraud Service

Our team has been selected as a finalist for the Team of the Year Award in the 2018 Alarm Risk Awards.

The winners will be announced during the Alarm Risk Awards dinner being held on Monday 25 June at The Principal Manchester.

In the interest of promoting good practice in the management of risk, Alarm will look to publish Award entries, and produce feature articles based on their contents, on the Alarm website and in the Alarm journal.



Staff and Partner Development

Regional training for Audit Committees

We worked with SWAP, (South West Audit Partnership) to deliver training sessions in September and October for senior management and audit committee members – (see our flyer details). The events attracted 75 members representing 29 different public sector organisations and gave delegates the opportunity to mix, share experiences and to understand how similar organisations are addressing similar risks and challenges.

The agenda covered a wider range of topics, attracted key note speakers, and we trust was of use to our partners and customers.

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 4 staff who are currently studying for the Institute of Internal Auditors (IIA) qualification; 2 staff are in the final stages of their training and have just one exam to pass; the other 2 have made a good start to their training.

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
- Fraud Awareness
- Use of IDEA software



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?

Agenda

- ➔ Introduction - Gerry Cox, Chief Executive (SWAP) & Rob Hutchins, Head of DAP

Customer Service Excellence (CSE)

DAP was successful in re-accreditation of the CSE standard during the year.

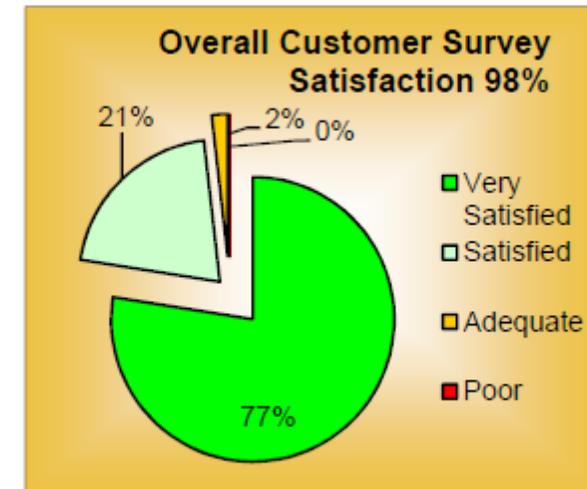
In May 2018, June Shurmer, our assessor, visited the team to evaluate our customer services against a rolling programme; we await the results of her work. The CSE standard expects and requires “continuous improvement”

During the year we issued 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 near 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 Christmas is shown below :-

- Fleet, April 2018 - “...there were some sensitive issues discussed around this subject, and this report has proven highly useful at all levels”.
- ICT – Incident and Problem Management, February 2018 - “The auditors were both professional, friendly and a credit to the team, who I found to be extremely accommodating and helpful. This was the first time I had experienced an audit and I was pleasantly surprised how constructive they are.”
- Schools, January 2018 - “The auditor is experienced at working in schools and works with us to ensure that all areas are covered across the federation. The audit is always a positive experience for us....The Auditor is always professional and polite. She works with us to ensure that the process is positive.”
- Schools, January 2018 - “Excellent service and support once again. The auditor was helpful throughout and had a wealth of knowledge. The service was professional and well delivered.”
- Fire – March 2018 - Customer service from DAP is outstanding! They truly make us feel like a valued customer.

DAP – Customer Survey Results 2017/18



Internal Audit Performance

Our outturn analysis of performance for the year ended 31st March 2017 indicates that overall performance was good and generally exceeded our targets. 91.3% of the respective audit plans were completed (against a target of 90%) and customer satisfaction levels of 98% across the partnership are noteworthy. A breakdown of performance across all partners is shown in Appendix 2.

Devon Audit Partnership

Year end performance (end of March 2018) Inc Schools

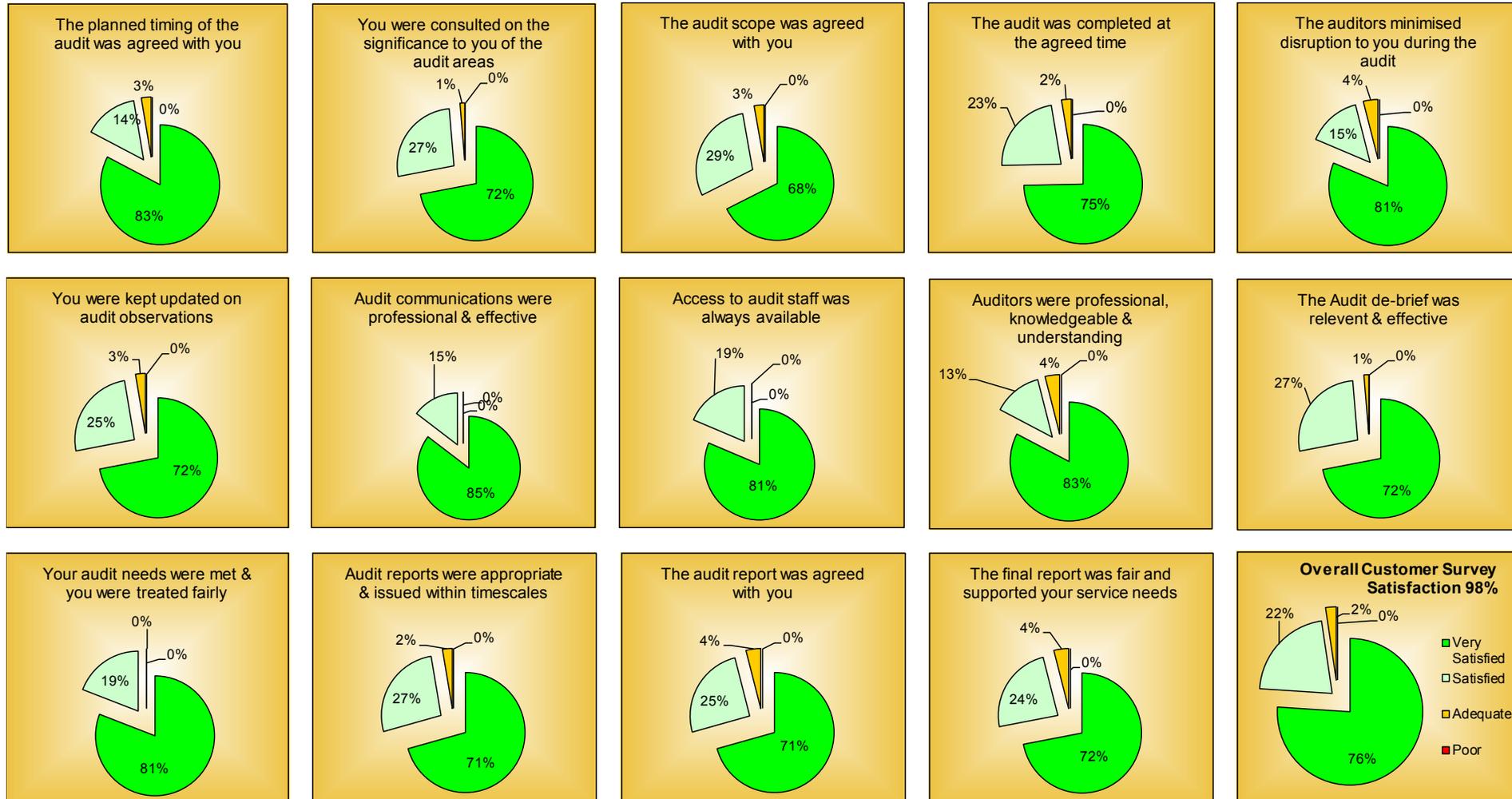
Performance to end of March 2018 Inc Schools

Local Performance Indicator (LPI)	Full year Target	Full year Performance	Outturn 2016/17	Direction of Travel (where applicable)
Percentage of Audit Plan Started	100%	100%	99%	↑
Percentage of Audit plan Completed	90%	91.3%	94%	↓
Percentage of chargeable time	65%	71.5%	70%	↑
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	93%	98%	96%	↑
Draft Reports produced within target number of days (currently 15 days)	90%	92%	90%	↑
Final reports produced within target number of days (currently 10 days)	90%	98%	98%	→
Percentage of staff turnover	5%	7%	21%	↑
Out-turn within budget	Yes	Yes	Yes	→

Appendix 1 - Customer Service Excellence Results – 2017/18

Customer Survey Results April 2017 - March 2018

The charts below show a summary of 75 responses received.



Appendix 2 – Local Performance Indicators 2017/18

Breakdown of Performance by Client

<i>Local Performance Indicator (LPI)</i>				
	Plymouth	Torbay	Devon	Torridge
Percentage of Audit plan Completed	96%	87%	91%	100%
Percentage of chargeable time	71.5%	71%	71%	71.5%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	98%	98.4%	98%	91%
Draft Reports produced within target number of days (currently 15 days)	97%	90.6%	88.6%	85%
Final reports produced within target number of days (currently 10 days)	100%	97.2%	97.3%	100%