



## Devon Audit Partnership

### External Inspection Arrangement

External and Internal Audit  
reports 2013 / 14 &  
arrangements for 2014/15

*November 2014*  
**OFFICIAL**



**Auditing for achievement**

# ITEM 10

## **Devon Audit Partnership**

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

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## Results from Inspection Reports 2013/14

### 1 External Audit 2013/14

1.1 The Devon Audit Partnership Small Bodies Return was approved by the Partnership committee at its June meeting. The completed return and supporting papers were then provided to our External auditors (Grant Thornton (GT)) for audit purposes. The Small bodies Return was signed by Grant Thornton on 21 August 2014.

1.2 Grant Thornton confirmed that the information in the return was in accordance with proper practices and no matters of concern were identified. However, a minor matter was identified which was drawn to our attention. A letter was provided by GT regarding this matter (please see appendix A) which relates to Fidelity Guarantee. GT confirmed that the Partnership is covered by Devon County Council (DCC) insurance, but that this does not include fidelity insurance.

1.3 Management have raised this issue with the Insurance section of DCC. Officers have advised that, in their opinion, a Fidelity Guarantee is unlikely to be required. A Fidelity Guarantee, in simple terms, covers losses from fraud or corruption. No member of the DAP team actually handle cash or have access to clients finances (we have read only access to systems) – as such it is difficult to see how staff would commit a fraud that would warrant the need for such insurance.

1.4 In light of the advice provided by DCC Insurance Officers, and taking into account the current and future arrangements for DAP, management do not consider that there is a need for fidelity insurance.

### 2 Internal Audit 2013/14

2.1 As part of our financial arrangements we are required, and choose, to have an independent internal audit carried out on our systems of control on an annual basis. In 2013/14 we used colleagues from the South West Audit Partnership (SWAP) to provide this service; DAP provided a reciprocal arrangement for SWAP on a quid pro quo basis.

2.2 In June 2014 we were provided with an Internal Audit Summary report (please see Appendix B). The report confirmed that arrangements are generally sound and effective but did identify two areas where further enhancement of arrangement should be considered. These issues, and the DAP management response, are shown below:-

Issue Identified	Management Response / action
There is a need to ensure the manual commitment records are regularly reconciled to the accounting system position, as recorded in FINEST. Quarterly reconciliation is advised as a minimum.	Agreed. Quarterly reconciliation will be undertaken. Reconciliation completed in July 2014 and planned for October 2014; January 2015; April 2015 onwards.
Good practice would suggest that the Partnership should seek to ensure invoices are raised promptly in line with audit completion. This year's audit has shown an improved situation with invoices being raised more promptly and the level of debtors reduced. A regular review of the outstanding debtors position is advised: at least quarterly.	Agreed. To be completed with quarterly financial reconciliations.

# ITEM 10

## Inspection Arrangements 2014/15

### 3 External Audit 2014/15

3.1 We have been informed that our external audit for 2014/15 will continue to be undertaken by Grant Thornton. Gt will be our auditors until at least 2016/17.

3.2 Fees charged by GT are in accordance with the scale of fees for small bodies set by the Audit Commission and published within "Audit of Small Bodies – Scale of Fees 2012/13 to 2016/17". The audit fees for 2014/15 is expected to be £2,000.

3.3 Members are asked to note that Grant Thornton will provide external audit services for DAP for the 2014/15 financial year.

### 4 Internal Audit 2014/15

4.1 SWAP has recently changed its operating structure from a .gov organisation to a .co arrangement. SWAP are keen to continue to undertake Internal Audit work for DAP and have quoted a value for providing this service. However, as SWAP a no longer governed the same way as DAP, we will be unable to provide a reciprocal arrangement and thus there will be a charge for the service.

4.2 SWAP management have provided an estimate for the level of input required and a price for this work; this comes out to less than £1,000. As SWAP officers know DAP systems well, and have built up a good relationship with key officers, DAP management consider that continuing arrangements with SWAP would be beneficial.

4.3 Members are asked to note the retention of SWAP to provide an internal audit service for DAP for 2104/15

Robert Hutchins

Head of Devon Audit Partnership  
November 2014

External letter



**This page is part of Section 3 - External auditor certificate and opinion 2013/14**

**Devon Audit Partnership  
Audit Report for the year ended 31 March 2014**

**Other matters not affecting our opinion which we wish to draw to the attention  
of Devon Audit Partnership for the year ended 31 March 2014**

**Fidelity Guarantee**

The Partnership is covered by the Devon County Council insurance. The insurance documents seen by the external auditors do not show that fidelity guarantee is in place. We recommend that the Partnership review their business to check whether fidelity insurance should be in place.

A handwritten signature in blue ink, appearing to read "D. M. M.", written over a horizontal line.

**for Grant Thornton UK LLP**

**Date** 21/8/14

**Our ref** DVN132



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Robert Hutchins  
Devon Audit Partnership

Rob,

Please find attached Internal Audit Summary following completion of the internal audit requirement for the Audit Commission Small Body Return for 2013/14.

Thanks very much for your time and commitment in completing the audit process.

Tony

Tony Brown  
Audit Manager  
South West Audit Partnership Limited

## Devon Audit Partnership 2013/14 SBR Internal Audit Summary

### Financial Regulations and Scheme of Delegation

Financial Regulations which apply to the Partnership are confirmed as those of the lead authority. The Partnership Scheme of Delegation has recently been refreshed to reflect a revised structure for the Partnership and annual review of authorisation levels in the accounting system.

### Risk Register

The Partnership maintains a Strategic and Operational Risk Register. The form of the register is appropriate and there is evidence of it being actively maintained with defined actions and target dates for taking such actions. However at the time of audit last year it was not evident that the register had been reviewed and formally ratified. The new Business Plan taken to Committee in November 2013 has included the current Risk Register. The Risk Register has also now been refreshed to reflect current audit contracts and the current partnership outlook documented within the Business Plan.

### Expenditure Tracking

It is important to track the actual financial position for the Partnership against individual budgets so that the uncommitted budget is always clearly recognised. This is being achieved by maintaining individual excel spreadsheets recording supplier orders as they are placed and matching to invoices as they are received.

There is a need to ensure the manual commitment records are regularly reconciled to the accounting system position, as recorded in FINEST. This was not clearly evident from the records seen last year. The audit this year showed evidence of reconciliation between FINEST and manual records but a more stringent approach needs to be adopted to ensure all key budget areas are included. Quarterly reconciliation is advised as a minimum.

### Frequency of Invoicing

Audit observations last year were that the Partnership was carrying a relatively high value of debtors at year end with the balance sheet position indicated a large overdrawn cash position as a consequence.

Good practice would suggest that the Partnership should seek to ensure invoices are raised promptly in line with audit completion. Examination and discussion of the detailed debtor listing last year showed that there were a number of client invoices raised towards the end of the financial year. A recommendation was made that the procedures for raising client invoices should be subject to review and some changes have since been introduced.

This year's audit has shown an improved situation with invoices being raised more promptly and the level of debtors has reduced from £344k at the end of 2012/13 to £165k for 2013/14.

A regular review of the outstanding debtors position is advised: at least quarterly.

### Inventory Records

The last audit highlighted the need to ensure such records are complete, accurate and properly maintained and made a recommendation to review the current records.

The Partnership inventory records have been fundamentally reviewed since the last audit. Some reduction in the database has taken place by removing lower value less attractive items. A full inventory check has also been carried as the last checks were restricted to laptop computers.