

Phil Norrey  
Chief Executive

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

County Hall  
Topsham Road  
Exeter  
Devon  
EX2 4QD

(see below)

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Your ref :  
Our ref :

Date : 13 June 2017  
Please ask for : Wendy Simpson, 01392 384383

Email: wendy.simpson@devon.gov.uk  
:

## **DEVON AUDIT PARTNERSHIP COMMITTEE**

Wednesday, 21st June, 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 Election of Chairman  
The Chairmanship is on a rotational basis with each Council having a Member serve alternately for one year. Torbay and Devon have both recently held the Chairmanship and it is therefore Plymouth's turn to hold the post of Chairman for one year from the date of this meeting.
- 3 Election of Vice-Chairman  
The Vice-Chairman shall be elected from a Council other than that which currently holds the Chairmanship.
- 4 Minutes  
Minutes of the meeting held on 15 March 2017 (previously circulated).
- 5 Items Requiring Urgent Attention  
Items which in the opinion of the Chairman should be considered at the meeting as matters of urgency.

- 6        Revenue Outturn Position - 2016/17 (Pages 1 - 8)  
Report of the Head of Devon Audit Partnership (CT/17/48), attached.
- 7        Annual Report 2016/17 (Pages 9 - 20)  
Report of the Head of Devon Audit Partnership (CT/17/49), attached.
- 8        Impact of Membership Changes and Future Division of Surpluses/Deficits (Pages 21 - 22)  
Report of the Head of Devon Audit Partnership (CT/17/47), attached.
- 9        Partnership Working with Mid Devon District Council (Pages 23 - 24)  
Report of the Head of Devon Audit Partnership (CT/17/50), attached.
- 10       Future Meetings  
The next meeting is scheduled for 15 November 2017. Members are requested to bring their diaries in order for further meeting dates to be arranged for 2018.

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

None

***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 Torbay**County Councillors

Councillors J Mathews and C Slade

Torbay and Plymouth Councils

Councillors A Tyerman, S Leaves, J O'Dwyer and J Mahony

Torrige District Council – Councillor P Hackett

**Declaration of Interests**

Members are reminded that they must declare any interest they may have in any item to be considered at this meeting, prior to any discussion taking place on that item.

**Access to Information**

Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Wendy Simpson on 01392 384383.

Agenda and minutes of the Committee are published on the Council's Website and can also be accessed via the Modern.Gov app, available from the usual stores.

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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](mailto: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**

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**SatNav** – Postcode EX2 4QD

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### **Access to County Hall and Public Transport Links**

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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

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

**DEVON AUDIT PARTNERSHIP - 2016/17 – Revenue Outturn Position**  
**Report of the Head of Devon Audit Partnership**

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

**Recommendations: That:**

- The committee note the DAP 2016/17 revenue outturn position.
- The committee note the DAP balance sheet as at 31 March 2017 and the balances contained
- The committee note the Accounting Statement at appendix 1, prepared in accordance with the (former) small bodies return format
- The committee approve the chair to sign the Annual Governance Statement as shown at appendix 2
- The committee note the Annual Internal Audit Report for 2016/17 shown at appendix 3

**1. Budget Monitoring – Revenue Outturn Position**

- 1.1 The Budget monitoring at month 10 indicated a potential for a slight under spend (£400) at the year end. This variance was mainly because of increase income from extra work undertaken by the partnership, but offset by the increase in staff to complete the work.
- 1.2 We have now prepared our financial outturn figure and our operating surplus has been confirmed at £297. There have been some changes between the month 10 projection and year end actual, but it is pleasing to see that these have, overall, have resulted in a small, but helpful, surplus position for the Partnership.
- 1.3 The Revenue Outturn position for 2016/17 is as follows:-

	<b>2016/17 Base Budget</b>	<b>2016/17 Outturn</b>	<b>Variance</b>	<b>Mth 10 Projection</b>	<b>Mth 10 to year end variance</b>
	£		£		£
Employees	1,045,400	1,129,481	64,081	1,117,700	11,781
Premises	38,000	38,585	585	38,300	285
Transport	28,200	33,167	4,967	30,900	2,267
Supplies & Services	95,500	60,250	(15,250)	80,000	(19,750)
Support	21,600	21,300	(300)	21,600	(300)
Income	(1,228,700)	(1,283,080)	(54,380)	(1,288,900)	5,820
<b>Total</b>	<b>0</b>	<b>(297)</b>	<b>(297)</b>	<b>(400)</b>	<b>103</b>

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1.4 The Variance Analysis between month 10 and the outturn position shows a reduction in income (£5,800). This is due to around 20 days of work expected to be completed for colleagues at the Police not taking place. Members will note that Employee costs are higher than projected but Supplies and Services are less than was forecast at month 10. The Supplies and Services budget line includes projected costs for temporary staff to support audit delivery; in the event we used contracted staff to complete work rather than temporary staff. The net reduction reflects the fact that 20 or so days of work were not provided.

1.5 Other key documents are as follows:-

<b>Income Statement for Period ended 31/03/17</b>				
	Unrounded per DCC Accounts	Plymouth	Torbay	Devon
Expenditure	1,281,747.79	411320.67	341759.09	528668.04
Income	-1,282,045.20	-411416.11	-341838.39	-528790.71
Profit/Loss	-297.41	-95.44	-79.30	-122.67
<b>DAP Balance Sheet as at 31/03/17</b>				
Pro Rata split by fte as per Partnership Agreement				
	Unrounded per DCC Accounts	Plymouth	Torbay	Devon
		13.6	11.3	17.48
	£	£	£	£
Original set up allocation	<b>100,000.00</b>	32,090.61	26,663.52	41,245.87
Cumulative surplus as at 31/3/16	<b>81,026.94</b>	38,635.67	- 7,266.91	49,658.18
Current assets and Liabilities	<b>181,026.94</b>	<b>70,726.28</b>	<b>19,396.61</b>	<b>90,904.05</b>
Surplus 16/7	297.41	95.44	79.30	122.67
Reserve 31/3/17	<b>181,324.35</b>	<b>70,821.72</b>	<b>19,475.91</b>	<b>91,026.72</b>

## 2 Small Bodies Return

2.1 In previous years the committee has received a "small bodies return" which has reported the financial performance of the partnership, provided an Annual Governance Statement and incorporated the views of the Internal Auditor.

2.2 The requirement for a small bodies return has been removed, however the return contained some good elements of governance and enabled effective year on year comparisons to take place. For this reason we set out below key information that formed the basis of the return and which, we consider, is "good practice" to continue.

- 2.4 We also provide three appendices that capture the key elements of the return:-
- Appendix 1 – Accounting Statements for 2016/17 – which contains the signature of Mary Davis, the S151 officer of DAP (this should be read in conjunction with the revenue outturn position at section 1)
  - Appendix 2 – Annual Governance Statement – to be approved by the Committee Chair.
  - Appendix 3 – Annual Internal Audit report for 2016/17 as prepared by Tony Brown of SWAP
  - Appendix 4 – Annual Internal Audit Letter for 2016/17 as prepared by Tony Brown of SWAP and including Management Responses to issues raised.

Robert Hutchins – Head of Devon Audit Partnership

6 June 2017

### Devon Audit Partnership - Accounting Statement for 2016/17

	Year ending		Notes & guidance
	31 March 2016 (£)	31 March 2017 (£)	
Balances brought forward	175,784	181,027	
+ Income	1,315,328	1,283,080	From partners and clients
+ other receipts			None for DAP
- staff costs	1,152,457	1,129,481	Salaries, wages, PAYE, NI and pension costs
- All other payments	157,628	163,302	
= Balances carried forward	181,027	181,324	
Total cash	70,651	33,953	
Total fixed assets	0	0	We do not hold any land, buildings, or substantial fixed assets (out ict is provided by DCC ICT services and not "owned" by DAP).

I certify that for the year ended 31 March 2017 the accounting statements in this annual return present fairly the financial position of the body and its income and expenditure.

Signed by Responsible Financial Officer

M. C. Davis

13/6/17

Date

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## Devon Audit Partnership – Annual Governance Statement 2016/17

We acknowledge as the members of Devon Audit Partnership our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2016 that:

	Agreed		"yes" means that DAP
	Yes	No	
1. We approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices	Y		Prepared its accounting statements in the way prescribed by law.
2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	Y		Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of DAP to conduct its business or on its finances.	Y		Has only done what it has the legal power to do and has complied with proper practices in doing so.
4. We carried out an assessment of the risks facing DAP and took appropriate steps to manage those risks.	Y		Considered the financial and other risks it faces and has dealt with the properly.
5. We maintained throughout the year an adequate and effective system of internal audit of DAP's accounting records and control systems.	Y		Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether the internal controls meet the needs of DAP.
6. We took appropriate action on all matters raised in reports from auditors.	Y		Responded to matters brought to its attention by auditors.
7. We considered whether any litigation, liabilities, commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and where appropriate have included them in the accounting statements.	Y		Disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.

<p><b>Signed by</b></p> <p>Chair</p>  <p>Dated</p>
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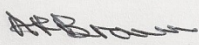
### Appendix 3

#### Devon Audit Partnership – Annual Internal Audit Report 2016/17

DAP's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2017.

Internal audit has been carried out in accordance with DAP's needs and planned coverage. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of DAP.

Internal control objective	Agreed? Select one of the following		
	Yes	No *	Not covered *
A. Appropriate accounting records have been kept properly throughout the year.	Y		
B. DAP's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	Y		
C. DAP assessed the significant risks to achieving its objectives and reviewed adequacy of arrangements to manage these.	Y		
D. An adequate budgetary process was in place; progress against the budget was regularly monitored; and reserves were appropriate.	Y		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Y		
F. Petty cash payments were properly supported by receipts, all expenditure was approved and VAT appropriately accounted for.	Y		
G. Salaries to employees were paid in accordance with DAP's processed, and PAYE and NI requirements were properly applied.	Y		
H. Asset registers were complete and accurate and properly maintained.	Y		
I. Periodic and year-end bank account reconciliations were properly carried out.	Y		
J. Accounting statements prepared during the year were prepared on the correct accounting basis, supported by an adequate audit trail from underlying records and debtors and creditors were properly recorded.	Y		

Name of person who carried out the internal audit	Tony Brown
Signature of person who carried out the internal audit	 Date: 05/06/2017

**Notes**  
 If the response is "no" please state the implications and actions being take to address any weakness in control identified.

If the response is "not covered" please state when the most recent internal audit work was done, or when it is next planned.

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Appendix 4



Abbey Manor Business Centre  
Preston Road  
Yeovil  
BA20 2EN

Direct Line:  
01935 848540

Email:  
[gerry.cox@southwestaudit.gov.uk](mailto:gerry.cox@southwestaudit.gov.uk)

05 June 2017

Robert Hutchins  
Devon Audit Partnership

Rob,

Please find attached [Internal Audit Summary](#) following completion of the Internal Audit of the 2016/17 Devon Audit Partnership Accounts.

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

Tony

Tony Brown  
South West Audit Partnership Limited

# Agenda Item 6

## Financial Regulations and Scheme of Delegation

The Partnership Financial Regulations follow those of the Lead Partner and reflect good practice in financial administration. However, with changes to the IT systems for procurement introduced by the Lead Partner the Regulations would benefit from a further review to ensure operational relevance.

The Head of Partnership had reviewed staffing numbers, and also changed job roles and reporting structures within 2016-17. It would be relevant to include the new structure as part of the Scheme of Delegation.

**Management response** – *Agreed. We shall review our Scheme of Delegation in light of these changes. Who – Head of Partnership When – End of June 2017.*

## Risk Register

The Partnership Strategic and Operational Risk Register was examined and there was clear evidence of periodic review to reflect the changes in the operational environment. The key risk highlighted in the January 2017 Register was that of not being able to agree a new Partnership Agreement. At the time of audit however a new contract had been agreed with all three partners so a further review of the Register is now necessary to reflect the current situation.

**Management Response** – *Agreed. The risk register has been updated to reflect the recent signing of the new contract. Who - Head of Partnership. When - June 2017*

## Budget Management

Budget management procedures were examined and found to be soundly based. The Head of Partnership is well supported by financial services in tracking of the Partnership budget throughout the year. Given the fine balance between income and costs in running the Partnership being able to accurately predict budget outturn is key. Additional revenue had been generated than the original budget statement approved in March 2016 and the final outturn showed a very small operating surplus.

## Payroll

Tight control of staffing levels is key to the management of costs with the Head of Partnership balancing Partnership staffing with Agency support. Examination of payroll procedures provided assurance that preventative and detective controls are in place to ensure that staff costs are effectively managed and correctly charged to the Partnership budget.

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## Income

The Head of Partnership has highlighted the risk that not all the predicted income may be achieved if audits are delayed or cancelled. However, with an expanding client base there is also an increased risk of not being able to collect all income due.

The Partnership has sought to carry out client invoicing regularly and promptly in line with audit completion. The Partnership year end debtor balances totalled £145,000 most of which had been invoiced in March although two balances originated from earlier in the year. With limited resources available through the Credit Control service the Head of Partnership is advised to ensure invoicing disciplines for each client group and debt recovery procedures are kept under active review.

**Management Response.** *Agreed. We shall ensure that we invoice promptly for our services. For some of our smaller clients there is a balance to be struck as not all planned work may have been completed by March. However we recognise that such instances are limited and should not prevent the prompt invoicing for the majority of the client base. We currently work with Public Sector clients and so the risk of "bad debt" is not considered significant.*

## Cash

The Partnership cash balance included in the year-end Balance Sheet agreed with the balance included within the DCC main bank account the make up and reconciliation of which was reviewed.

## **DEVON AUDIT PARTNERSHIP ANNUAL REPORT 2016/17** **Report of the Head of Devon Audit Partnership**

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

### **Recommendations:**

- i. That members note the progress made by the Devon Audit Partnership during the period the 2016/17 financial year.
  - ii. That members note the continued development of arrangements with partners, in particular with Torridge and Mid Devon councils.
  - iii. That members note the continued high level of customer satisfaction achieved by the Partnership.
1. The Update Report, available separately, describes the performance of Devon Audit Partnership during the period the financial year 2016/17 and some of the key achievements during this period.

Robert Hutchins

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

Internal Audit

Annual Report 2016-17

Partnership Management Board

Pages  
11  
June 2017

CUSTOMER  
SERVICE  
EXCELLENCE



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 2016/17

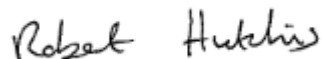
2016/17 was an eventful year for the Partnership. I am pleased to report that we have again made a small operating surplus, and have been able to grow our client base by formerly welcoming Torridge District Council to the Partnership.

During the year our Partners confirmed their confidence in partnership working by agreeing to an extended partnership agreement for the next seven years (subject to a review after 5 years). We know that things can change quickly and pressures and challenges may result in organisations re thinking decisions; as a result our agreement allows each partner to withdraw from the Partnership after giving one years notice; however we consider the new agreement provides the "vote of confidence" and stability that the Partnership needs to continue to invest in and develop quality and services, and look to bring new partners into our arrangement.

With that in mind we are very pleased to note that Mid Devon District Council have expressed their wish to join the Partnership, initially as a "non-voting" member, but as a full member from April 2018.

In September last year we worked with James Patterson on how to ensure our organisation remains LEAN – James provided some excellent advice / guidance and practical knowledge that will be invaluable going forward. And in December 2016 we welcomed Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service, who completed an external validation of the Partnership. Terry concluded that we "generally conforms" \* to the Public Sector Internal Audit Standards.

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 2017

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

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Appendix 1 - Customer Service Excellence Results – 2016/17

Appendix 2 – Local Performance Indicators 2016/17



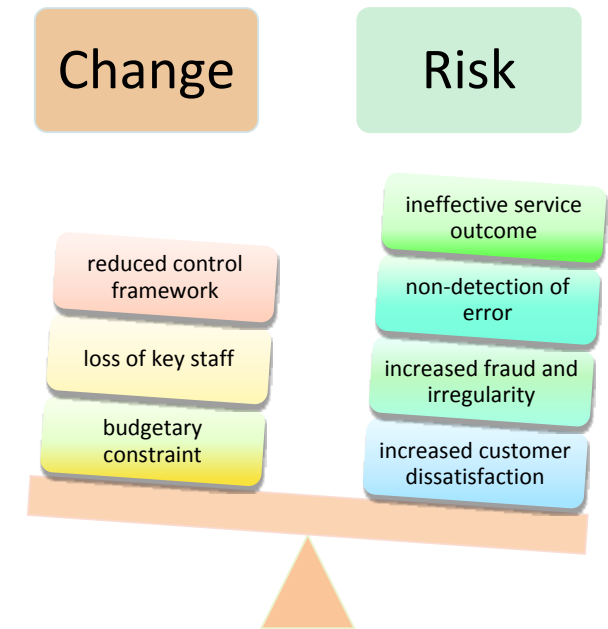
## Contract reduction and diversification

### Budget position

The Partnership has consistently remained within budget and at the end of 2016/17 carried forward a reserve of £181k. The out-turn for 2016/17 shows that a small surplus was achieved (£300). 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. Our day rate remains below the national average, as identified from benchmarking with other local authorities via the CIPFA benchmark club.

### Service impact and risk

The reduction in core work to the Partner Members is having an effect on the assurance we can offer. The “seesaw” graphic of change v risk was included as part of our annual plans for 2016-17 with each of the Authorities where it is recognised times are changing; the expectation of the public for services provided by the public sector has never been greater; yet the money that is available for these services needs to be reduced.



### Wider Assurance

We recognise that partners require assurance at all stages of service design and delivery; our partners continue to transform services for their customers and we are working with them as they develop solutions that will make cost savings but provide better outcomes.

We prepared a newsletter for senior management advising on the challenge of **transformational change**, and how internal audit can assist.

For each audit we consider if the service can be provided in a different way and offer recommendations of how this could be achieved.



*"Your life does not get better by chance, it gets better by change." Jim Rohn*

## 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.

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**Partnership Working** “The Auditor is knowledgeable with regard the subject area. The audit [added value](#) by giving the council a clear indication of their current position and possible way forward.

**Partnership Working** “The delivery of the audits was undertaken extremely well. I can’t think of anything which would improve this process. [Value was added](#) by making my service aware of improvement areas which we may not have identified ourselves. Also enforcing the view that maybe there is a bigger more Council wide issue to be addressed rather than just an element of one/more service areas. I think you provide a good service and my staff value your findings.”

**PCI Compliance** Throughout the process the auditor was always willing to discuss points where we may disagree and we generally come up solutions to meet both parties. The final report and discussions were particularly helpful. The audit [added value](#) in that it points us in the direction for improvements in control and can also now discuss how other customers may have adapted procedures etc.”

**Maintenance of HR/Payroll System** “The entire process was very positive. The audit was able to [add value](#) as all the recommendations were appropriate, & even though we had thought about some previously, it has helped us to re-focus and try to move them forwards. The auditor was very professional & pleasant throughout the entire audit process.

**Payroll** “Initial meetings to determine the terms of reference are an excellent opportunity for us to set the current scene.....from my perspective this is the [most valued](#) element and gives me the opportunity for a ‘critical friend’ to look at areas where I need further support or guidance.

## Collaborative Partner Working



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Our newsletters have included articles on the following :-

- Joining Up Health and Social Care Audit – Are we getting integrated assurance?
- Local Government & Third Sector Collaboration – How do we get Assurance?
- Organisational Culture – An Effective Approach to Ethics
- Devolution – The Future for Public Services?
- What makes An Effective Audit Committee ?

If we can help by providing further guidance or assistance on any of these subjects then please do let us know.

### Partnership Collaboration

We recognise that a number of internal audit partnerships have been developed across the country and that there are opportunities for these partnerships to work together to further improve efficiencies and effectiveness.

We are working with a number of partnerships South West Audit Partnership (SWAP), Shared Internal Audit Services (SIAS) (Hertfordshire), Veritau (Yorkshire) and Southern Internal Audit Partnership (SIAP) (Hampshire) to develop links and effectiveness. We have issued 3 newsletters to senior finance officers and members of audit committee, giving our "internal audit" view of risks and challenges.



## Staff and Partner Development

### Regional training for Audit Committees

We worked with SWAP, (South West Audit Partnership) to deliver training sessions in September for senior management and audit committee members – (see our flyer details). The events attracted 72 members representing 26 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

## RELIABLE ASSURANCE IN UNCERTAIN TIMES

### GETTING THE BEST FROM YOUR AUDITORS

October 2016

#### Member and Representatives Training

#### Key Advice and Guidance for Members, Representatives and Senior Officers

Brexit, Transformational Change, Devolution – 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.



#### BRITAIN VOTES BREXIT WHAT HAPPENS NOW?

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 new insights on:

- ➔ Role and Effectiveness of the Audit Committee—Ensuring your Audit Committee is ready for the challenges of the next five years—getting the best possible assurance.
- ➔ Tone at the Top –Culture and Ethics—Why do poor corporate cultures exist and what role does Internal Audit play, in conjunction with Members and Representatives, in helping to promote a positive and corrupt free environment.
- ➔ Changes to the AGS—There will be changes to the Annual Governance Statement that Audit Committees are required to approve. This session will provide an External Audit update and view.
- ➔ Brexit—Threat and opportunities—What does this mean for your organisation? How prepared are you to meet the challenges and take advantage of the potential benefits?
- ➔ Transformational Change—The only sure thing is that change will happen. Forewarned is forearmed. What are the challenges ahead and what things do you need to know?
- ➔ The Financial Officers View—Pulling it all together, what does all of this mean for your organisation?

## Customer Service Excellence (CSE)

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

In June 2017, June Shurmer, our assessor, will visit the team to evaluate our customer services against a rolling programme. The CSE standard expects and requires “continuous improvement”

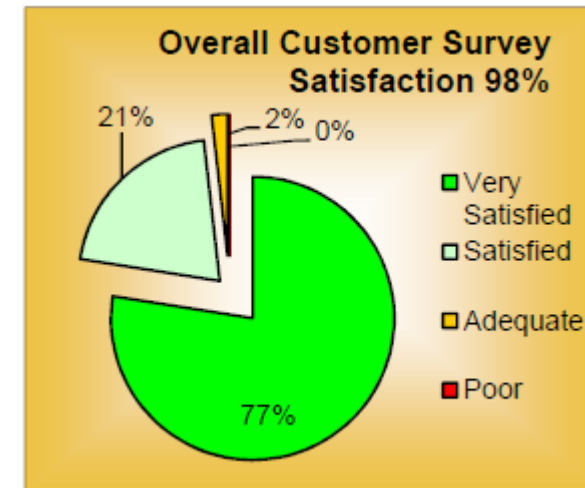
During the year we issued client survey forms with our final reports. The results of the surveys returned remain very good and very positive. The overall result is very pleasing, with near 98% being “satisfied” or better across our services, see appendix 1. It is very pleasing to report that our clients 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 :-

Page 17

- The whole process was a positive experience for all staff concerned
- Due to staffing changes our original audit date was changed to accommodate which was gratefully appreciated. There was excellent communication from the auditor throughout the audit, she was very approachable and friendly. The school benefitted from the process.
- The auditor was extremely helpful and supportive and provides an effective critical friend role.
- The auditor was very helpful and personable. The process was easily followed and understood.
- The auditors were professional and helpful throughout the process.
- very happy. With regards to planning there was flexibility in the scope to support areas the Leadership raised queries about. Audit delivery took the form of a supportive and collaborative in approach. It was particularly helpful getting regular constructive and supportive feedback through out the audit. All of the audit staff were fantastic and very supportive.
- The auditor was a pleasure to have on site and very accommodating to the school needs and timings. It is always good to have fresh eyes look at what you do to ensure still on the right lines and not missed any new procedures.

DAP – Customer Survey Results 2016/17



## Internal Audit Performance

Our provisional outturn analysis of performance for the year ended 31<sup>st</sup> March 2017 indicates that overall performance was good and generally exceeded our targets. 93% 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 2017) Inc Schools

Performance to end of March 2017 Inc Schools

Local Performance Indicator (LPI)	Full year Target	Full year Performance	Outturn 2015/16	Direction of Travel (where applicable)
Percentage of Audit Plan Started	100%	99%	100%	→
Percentage of Audit plan Completed	90%	94%	94%	→
Percentage of chargeable time	65%	69.7%	68%	→
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	96%	99%	→
Draft Reports produced within target number of days (currently 15 days)	90%	90%	87%	↑
Final reports produced within target number of days (currently 10 days)	90%	98%	96%	↑
Average level of sickness absence	2%	3.2%	6%	↑
Percentage of staff turnover	5%	21%	3%	↓
Out-turn within budget	Yes	Yes	Yes	→

### Staff Turnover

Turnover in 2016/17 was higher than in previous years. However, it should be recognised that a level of staff turnover was expected in order to meet the 10% budget reductions required by the Partners. To meet our budget expectations we had to end the contracts for 3 staff; and in the latter six months two staff left the organisation, one for personal reasons, and the other for promotion to another employer.

### Sickness

We acknowledge that employees will, from time to time, be affected by sickness, and "plan" for 2% of time per fte - this equates to 5 days per FTE.

However sickness in 2016/17 was considerably higher than projected. Days lost to sickness in 2016/17 totalled 244 (2015/16 = 349) working out at 8.4 days per FTE. So, we are 1.2% or 3.4 days per FTE over our sickness target.

Our sickness rates have been affected by long term sickness for a number of employees; 4 employees had periods of sickness of 15 days or more, three of which related to operations.

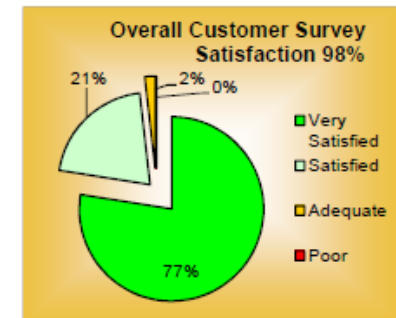
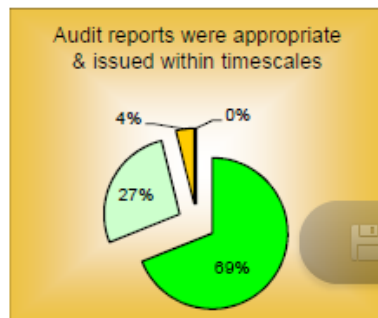
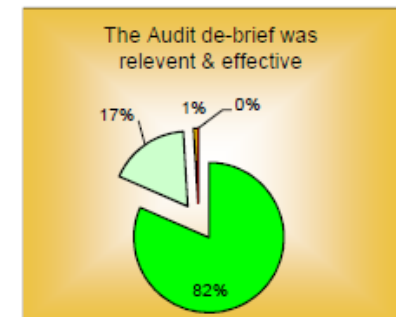
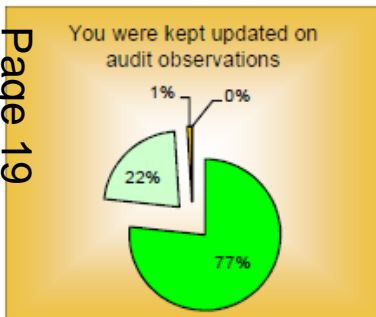
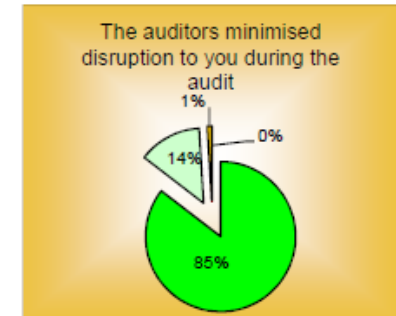
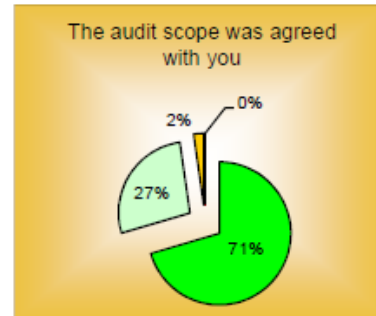
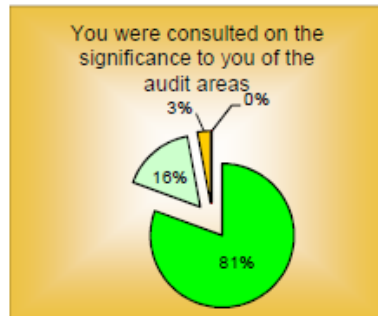
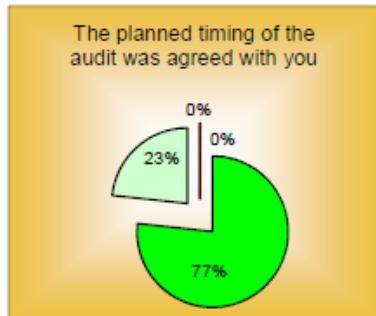
All periods of sickness are dealt with using the Devon CC guidance. We seek input and advice from Wellbeing @ Work and HR colleagues, making "reasonable adjustments" as far as we practically can to ensure a safe and speedy return.

It should be noted that, outside of "long term" sickness for four employees, days lost to sickness for the rest of team was 74 days (2015/16 63 days).

# Appendix 1 - Customer Service Excellence Results – 2016/17

## Customer Survey Results April - March 2017

The charts below show a summary of 103 responses received.



## Appendix 2 – Local Performance Indicators 2016/17

### Breakdown of Performance by Client

<i>Local Performance Indicator (LPI)</i>			
	<b>Plymouth</b>	<b>Torbay</b>	<b>Devon</b>
Percentage of Audit plan Completed	94.4%	95.9%	92%
Percentage of Audit Days delivered	81.6%	112.7%	104.7%
Percentage of chargeable time	69.8%	64.3%	68.9%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	98%	94%	98%
Draft Reports produced within target number of days (currently 15 days)	94.9%	85.3%	88.6%
Final reports produced within target number of days (currently 10 days)	98%	99%	97.0%

#### Explanatory note.

The percentage of days delivered is measured against the original internal audit plan; however the "days delivered" does not directly correlate to audit delivery and output. For example, an audit of the payroll system may take an auditor 10 days, a senior 8 days, a manager 7 days and the Deputy or Head of Partnership 6 days.

Each year we consider the audits for each partner and look at the best staff mix in order to deliver the assurance required; the staff mix employed will reflect the complexity of the audit tasks and also the skills of the team available.



## DEVON AUDIT PARTNERSHIP – THE IMPACT OF THE MEMBERSHIP CHANGE ON THE QUORUM AND CURRENT AND FUTURE DIVISION OF SURPLUSES / DEFICITS BETWEEN PARTNERS

### Report of the Head of Devon Audit Partnership

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

#### Recommendations:

- i. That the committee notes that from April 2017 the quorum for the Partnership will be "one member from each partner" with each partner having two representatives;
  - ii. That the committee notes that from April 2017 the distribution of surpluses / deficits for the partnership will be based on contribution rates, rather than FTE numbers
1. At the March Partnership committee meeting members agreed to Torridge becoming a full partner and requested that the Head of Partnership work with colleagues to :
    - i) Determine that the impact of the membership change on the quorum; and
    - ii) current and future division of surpluses / deficits between Partners be considered at the next meeting;
  2. We have worked with DCC member services colleagues and legal representatives (working as both the host of DAP and a founding partner) to consider the quorum. After careful consideration of the changes that have taken place, and are likely to take place, from April 2017 the quorum for the Partnership will be "one member from each partner" with each partner having two representatives. We (DAP) have asked that each partner allows their representatives to nominate a delegate if they are unable to attend. We are hopeful this will provide enough cover to enable meetings to progress.
  3. With regards surpluses and deficits, we have again worked with DCC legal colleagues and prepared a document setting out how this will be addressed. This was, in the first instance, circulated to the Management Board for their thoughts and consideration, with no objections being received.
  4. The key elements within this document set out that:-
    - a) "The agreed pro-rata basis for any sharing of surpluses or deficits shall be DCC – 33.8%, PCC – 36.2%, TC – 24.7% and TDC – 5.3%".
    - b) Balances up to 31/3/17 will be "protected" for DCC, TC and PC, but from 1/4/17 Torridge will share in losses / surpluses as set out above.
  5. With regards to a) above, the former split was on an historic ratio based on staff numbers (i.e. Devon 17:48; Plymouth 13:60; Torbay 11:30). For 2017/18 onwards the split will be based on budget contribution as at 1 April 2017. The split will be "fixed" at this rate, (i.e. not updated each year to take account of any changes) but will be considered and adjusted should and when new members look to join.

# Agenda Item 8

- 6 For 17/18 onwards, the split of any surplus or deficit will be:-

Table 1

Partner	Proportion by Contribution	
	Contribution for 17/18	%
Devon	£297,800	33.8%
Plymouth	£318,800	36.2%
Torbay	£218,000	24.7%
Torridge	£46,600	5.3%
Total	£881,200	100.0%

- 7 A DRAFT Agreement has been sent to legal colleagues at Torridge, Torbay and Plymouth for consideration and (hopefully) agreement).

Robert Hutchins

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

## **PARTNERSHIP WORKING WITH MID DEVON DISTRICT COUNCIL**

### **Report of the Head of Devon Audit Partnership**

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

#### **Recommendations:**

- i. That the Committee notes 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
  - ii. That the Committee notes and agrees to Mid Devon District Council becoming a non-voting partner of the Partnership with effect from August 2017
  - iii. That the Committee notes and endorses the request from Mid Devon District Council to join the Devon Audit Partnership, as a full member, from April 2018
1. In November 2016 Mid Devon District Council undertook a restructure of functions. As a result of changes made in other areas it was been decided by the Council's Leadership Team that the Internal Audit Team Leader would take on other functions which were previously the responsibility of another officer.
2. As a result of these change there was not only too much work for one person to do, but also potential impairments to the Internal Audit Team Leader's independence, which is a fundamental requirement of the International Auditing Standards and the Public Sector Internal Audit Standards
3. At the Mid Devon Audit Committee (24<sup>th</sup> January 2017) it was decided to look at options to procure Audit management via a Service Level Agreement (SLA) or entry into Partnership Arrangements with an External Provider
4. As part of this process DAP management submitted details of how DAP could support Mid Devon, including options for Mid Devon to join the Devon Audit Partnership. Our proposals included arrangements for the TUPE transfer of two staff, currently working as auditors in the Mid Devon Internal Audit Team, to the Partnership. To provide a little context, the internal audit plan for Mid Devon for 2017/18 is 395 days, of which 52 days relate to audit management.
5. We are pleased to report that Mid Devon accepted the DAP service proposal and, subject to approval to this committee, Mid Devon will look to join DAP. In the first instance (between May 2017 and end of July 2017) DAP will support Mid Devon by way of a service level agreement; from August 2017 the intention is that Mid Devon will join as a "non-voting" partner, and then from April 2018 will be come a "full" member of the Partnership. Two members of staff, currently employed by Mid Devon, will be TUPE transferred in to the Partnership.
6. The monetary values involved are commercially sensitive, but Mid Devon will represent a valuable partner for the Partnership and we would welcome their involvement.
7. Legal agreements are in the process of being prepared, and we seek the endorsement of the committee for Mid Devon to join the partnership.

# Agenda Item 9

Robert Hutchins

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