

Phil Norrey
Chief Executive

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

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

(see below)

Your ref :
Our ref :

Date : 14 June 2016
Please ask for : Wendy Simpson, 01392 384383

Email: wendy.simpson@devon.gov.uk

DEVON AUDIT PARTNERSHIP COMMITTEE

Wednesday 22nd June 2016

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, Exeter EX2 4QD to consider the following matters.

P NORREY
Chief Executive

A G E N D A

PART I - OPEN COMMITTEE

1 Apologies for Absence

2 Election of Chairman

The Chairmanship is on a rotational basis with each Council having a Member serve for one year in every three years. Devon and Plymouth have both recently held the Chairmanship and it is therefore Torbay'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 (Pages 1 - 4)

Minutes of the meeting held on 2 March 2016, attached.

5 Devon Audit Partnership 2015/16 Revenue Outturn Position (Pages 5 - 10)

The Report of the Head of Devon Audit Partnership (CT/16/49), attached.

6 Devon Audit Partnership - Arrangements post March 2017 (Pages 11 - 14)

The Report of the Head of Devon Audit Partnership (CT/16/50), attached.

7 Devon Audit Partnership Annual Report 2015/16 (Pages 15 - 28)

The Report of the Head of Devon Audit Partnership (CT/16/51), attached.

8 Future Meetings

The next meeting is scheduled for Wednesday 16 November 2016. Members are requested to bring their diaries in order that dates for 2017 meetings can be arranged.

Please use link below for County Council Calendar of Meetings:

<http://democracy.devon.gov.uk/mgListCommittees.aspx?bcr=1>

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

Members are reminded that Part II Reports contain confidential information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Democratic Services Officer at the conclusion of the meeting for disposal.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership - Comprising two Members from Devon, Plymouth and Torbay

Devon County Council
Councillors J Clatworthy (Chairman) and R Edgell
Plymouth City Council
Councillors Parker-Delaz-Ajete and Davey
Torbay Council
Councillor Tyerman and O'Dwyer
Non-voting member with right to speak
Torridge District Council

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.

Webcasting, Recording or Reporting of Meetings and Proceedings

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In addition, anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so, as directed by the Chairman. Any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.

Members of the public may also use Facebook and Twitter or other forms of social media to report on proceedings at this meeting. An open, publicly available Wi-Fi network (i.e. DCC) is normally available for meetings held in the Committee Suite at County Hall. For information on Wi-Fi availability at other locations, please contact the Officer identified above.

Emergencies

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Induction loop system available

DEVON AUDIT PARTNERSHIP COMMITTEE

2 March 2016

Present:Devon County Council

Councillors Clatworthy (Chairman) and Edgell

Plymouth City Council

Councillor Parker-Delaz-Ajete

Torbay Council

Councillor Tyerman

Office of the Police & Crime Commissioner

Mrs H Donnellan

Also in Attendance

Ms M Davis, County Treasurer

Mr R Hutchins (Devon Audit Partnership)

Apologies for Absence

Councillor O'Dwyer (Torbay Council) and Councillor Davey (Plymouth City Council)

***63** **Announcements**

The Chairman welcomed Alderman Sir Simon Day who was attending the meeting in his capacity as a co-opted, independent Member of the County Council's Standards Committee to observe and monitor compliance with the County Council's ethical governance framework.

***64** **Minutes**

RESOLVED that the Minutes of the meeting held on 18 November 2015 be signed as a correct record.

***65** **Budget Monitoring 2015/16**

The Committee received the Report of the Head of Devon Audit Partnership (CT/16/21) on budget monitoring at month 9 which indicated a slight projected underspend at the year-end (1.08%), attributable mainly to a small increase in income from extra work undertaken by the Partnership. The Head of Devon Audit Partnership advised that it was likely that the underspend, at the year end, was likely to increase through other savings.

***66** **Devon Audit Partnership Budget 2016/17**

The Committee considered the Report of the Head of Devon Audit Partnership (CT/16/22) on setting the budget for 2016/17 for the Partnership and the required saving of 10% on the expected level of income expected from Devon, Plymouth and Torbay Councils. The Business Plan recognised this reduction and predicted that income from other external partners would need rise to compensate for this loss.

In response to Members' questions the Head of Devon Audit Partnership advised on:

- the prudent approach adopted in terms of income generation and reasons for the loss of income from partners listed and uncertainty relating to future income generation
- the level of income set by the County Council, the reduction being proportionately less than the other authorities in the Partnership.

It was **MOVED** by Councillor Clatworthy, **SECONDED** by Councillor Tyerman and

RESOLVED that the proposed budget for 2016/17 be approved and the areas of the areas of uncertainty within the budgeted income figures be noted.

***67**

The Office of The Police & Crime Commissioner for Devon & Cornwall – The Provision of Internal Audit Services to The Strategic Alliance

The Committee considered the report of the Head of Devon Audit Partnership (CT/16/23) on the current progress and future provision of internal audit services to the new Strategic Alliance joint internal audit function (both Devon & Cornwall and Dorset Constabularies and respective Offices of the Police and Crime Commissioners). From 1 April 2016 the Strategic Alliance would require a "single provider" to deliver the internal audit function across all four organisations.

The Devon Audit Partnership and the South West Audit Partnership (SWAP, with a focus in the Dorset area) was jointly proposing that, from April 2016, the bought in internal audit support for the Strategic Alliance would be best met through a single contract arrangement with SWAP and it then calling upon the skills and resources of DAP to support the plan in the most effective way.

In response to Members' questions the Head of Devon Audit Partnership and the representative from the Police & Crime Commissioner advised on:

- the level of local delivery of services by the DAP which would be called upon by the SWAP to aid the Strategic Alliance to progress in an effective way
- the level of detailed and complex negotiations which had led to the current proposals and the positive outcome of retaining skilled and experienced staff within DAP to deliver services locally in Devon
- the need for the DAP to continue to provide a consistent and high level of service to mitigate the risk of loss of income to the 'lead partner' SWAP.

It was **MOVED** by Councillor Clatworthy, **SECONDED** by Councillor Tyerman and

RESOLVED

(a) that the change in delivery arrangement for internal audit at the Office of The Police and Crime Commissioner for Devon and Cornwall be accepted;

(b) that the resignation from the Devon Audit Partnership of the Office of the Devon and Cornwall Police & Crime Commissioner and its representative (non-voting) from this Committee be accepted.

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Partnership Update

The Committee considered the Report of the Head of Devon Audit Partnership (CT/16/24) on the performance of Devon Audit Partnership during the period April 2015 to February 2016 and some of the key achievements during this period including the successful bid for DAP services to the Stenna line and three of its ports, staffing updates and award of a Customer Service Excellence accreditation and positive feedback from customers.

The Head of Audit Services also reported on expressions of interest from Torridge District Council as a client partner requesting representation on this Committee (one member – non-voting) subject to formal approval.

It was **MOVED** by Councillor Clatworthy, **SECONDED** by Councillor Tyerman and

RESOLVED

(a) that the continued development of arrangements with partners be noted along with the high level of customer satisfaction achieved by the Partnership.

(b) that the request by Torridge District Council to the appointment of a representative (non-voting*) to this Committee be accepted in principle, subject to the approval of the County Council.

***69**

External Audit Requirements 2015/16 Onwards

The Committee considered the Report of the Head of Devon Audit Partnership (CT/16/25) on the cessation of a requirement for an external audit of the Small Bodies Return and on the agreement for the South West Audit Partnership (SWAP) to continue as the Internal Auditors for the Partnership. The requirement for an internal audit had now also been removed, however, it was considered by the Management Board that external scrutiny by internal audit was beneficial and that a current quid pro quo agreement with SWAP should be continued.

It was **MOVED** by Councillor Clatworthy, **SECONDED** by Councillor Tyerman and

RESOLVED

(a) that it be noted that external audit of the Partnership's accounts (Small Bodies Return) is not required for 2015/16 onwards;

(b) that although there is no requirement for an internal audit, DAP continue to use SWAP to provide an internal audit function as part of a quid pro quo arrangement.

***70**

Future Meetings

Wednesday 22 June 2016 and Wednesday 16 November 2016, all beginning at 10.30am at County Hall, Exeter.

Link below for County Council Calendar of Meetings:

<https://new.devon.gov.uk/democracy/calendar/>

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

The meeting started at 10.30 am and finished at 11.20 am

The Minutes of the Committee are published on the County Council's Website at:-
<http://www.devon.gov.uk/dcc/committee/minutes.html>

*[*NB: In accordance with this decision, Torridge District Council shall be deemed to have been invited to nominate a representative to attend and speak (but not vote) future meetings of the Committee for an initial 12 month trial period: thereafter and if a request for full membership of the Partnership and Committee is received and confirmed that Council shall be eligible to appoint a full member with voting rights in accordance with paragraph 23 of the Partnership Agreement]*

DEVON AUDIT PARTNERSHIP - 2015/16 – 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 2015/16 revenue outturn position and the changes between month 9 and year end.
- The committee note the DAP balance sheet as at 31 March 2016 and the balances contained
- The committee note the Accounting Statement at appendix 1, prepared in accordance with the 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 2015/16 shown at appendix 3

1. Budget Monitoring – Revenue Outturn Position

- 1.1 The Budget monitoring at month 9 indicated a potential for a slight under spend (£1,200) at the year end. This variance was mainly because of increase income (1.08%) from extra work undertaken by the partnership, but offset by the increase in staff (1.08%) to complete the work.
- 1.2 We have now prepared our financial outturn figure and our surplus has increased by £4k to **£5,243**. There have been some changes between the month 9 projection and year end actual, but it is pleasing to see that these have, overall, resulted in an increased surplus position for the Partnership.
- 1.3 The table below summarises the **changes between month 9 and year end**. The key reasons for the small change (£4k) are as follows:-

Narrative	Change between Mth 9 & Outturn
Employees – increase of £3,957. Mainly due to employing contract staff to complete work at Torridge on specific audits (including Housing Benefit)	+ £3,400
Transport – increase of £5,884. In previous years travel claims submitted in April have been automatically coded back to the previous financial year. We were informed that this would not be the case for 2015/16 and were therefore required to estimate the value of outstanding travel claims outstanding at year end, assuming that staff would process travel claims in April. We estimated this at £3,500, but it is apparent that this estimate is on the high side, as most staff have been able to complete outstanding travel claims in the March period. We shall learn from this.	+ £3,000
Transport costs were also slightly higher as staff attended training courses (e.g. on ISO audits) outside of the southwest, and increased travel to clients across the region.	+ £2,500

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Supplies and Service £15,787 less than expected at month 9. This is due to a number of factors:-	
We have a modest equipment budget of £1,300 – this was projected to be spent at mth 9 but was not required	- £1,300
Our mth 9 report referred to a risk that Insurance costs would increase by £3,500 – this risk did not materialise	- £3,500
Staff examination fees – 1 member of staff deferred an exam, and another had to undertake a resit meaning that the expected next stage was not taken. This resulted in a saving of £3,500.	- £3,500
At month 9 our projected figures included £2,900 for External Audit costs – we now know that this is not required for 2015/16	- £2,900
Finally, our ICT charge has been slightly less than expected, mainly due to needing a smaller number of laptops in 2015/16 – reducing our projected spend from £32,600 to £28,600	- £4,000
Other minor changes (income, premises etc.)	+ 2,300
Total	- £4,000

1.4 Our Revenue Outturn position for 2015/16 is therefore as follows:-

	2015/16 Base Budget	2015/16 Outturn	Variance	Mth 9 Projection	Mth 9 to year end variance
	£		£		£
Employees	1,136,400	1,152,457	16,057	1,148,500	3,957
Premises	41,500	38,731	(2,769)	38,000	731
Transport	28,200	35,684	7,484	29,800	5,884
Supplies & Services	74,000	61,913	(12,087)	77,700	(15,787)
Support	22,500	21,300	(1,200)	21,500	(200)
Income	(1,302,600)	(1,315,328)	(12,728)	(1,316,700)	1,372
Total	0		(5,243)	(1,200)	(4,043)

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1.5 Other key documents are as follows:-

Income Statement for Period ended 31/03/16				
	Unrounded per DCC Accounts	Plymouth	Torbay	Devon
Expenditure	1,154,775.07	370574.35	307903.69	476297.03
Income	-1,160,018.00	-372256.84	-309301.64	-478459.52
Profit/Loss	-5,242.93	-1682.49	-1397.95	-2162.49
DAP Balance Sheet as at 31/03/16				
		Pro Rata split by fte as per Partnership Agre		
	Unrounded per DCC Accounts	Plymouth	Torbay	Devon
		13.6	11.3	17.48
	£	£	£	£
Original set up allocation	100,000.00	32,090.61	26,663.52	41,245.87
Cumulative surplus as at 31/3/16	75,784.01	36,156.13	- 9,327.12	46,471.25
Current assets and Liabilities	175,784.01	69,043.79	17,998.66	88,741.56
Surplus 15/6	5,242.93	1,682.49	1,397.95	2,162.49
Reserve 31/3/16	181,026.94	70,726.28	19,396.61	90,904.05

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; the return was then forwarded to our external auditors for verification.
- 2.2 The requirement for a small bodies return, and external audit, has been removed for organisations with a turnover of less than £5m. however, the small bodies return contained some good elements of governance and enabled effective year on year comparisons to take place.
- 2.3 For this reason we set out below key information that formed the basis of the small bodies return and which is considered "good practice" to continue.
- 2.4 We set out below three appendices that capture the key elements of the small bodies return.
- o Appendix 1 – Accounting Statements for 2015/16 – 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)
 - o Appendix 2 – Annual Governance Statement – to be approved by the Committee Chair.
 - o Appendix 3 – Annual Internal Audit report for 2015/16 as prepared by Tony Brown of SWAP

Robert Hutchins – Head of Devon Audit Partnership

27 May 2016

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

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Appendix 1

Devon Audit Partnership - Accounting Statement for 2015/16

	Year ending		Notes & guidance
	31 March 2015	31 March 2016	
Balances brought forward	173,300	175,784	
+ Income	1,426,556	1,315,328	From partners and clients
+ other receipts	0		None for DAP
- staff costs	1,254,813	1,152,457	Salaries, wages, PAYE, NI and pension costs
- All other payments	169,259	157,628	
= Balances carried forward	175,784	181,027	
Total cash	-326,157	70,651	
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 2016 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

Date

13/6/16

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Appendix 2

Devon Audit Partnership – Annual Governance Statement 2015/16

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 and 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.

Signed by

Chair

dated

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Devon Audit Partnership – Annual Internal Audit Report 2015/16

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 2016.

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

Name of person who carried out the internal audit	
Signature of person who carried out the internal audit	Date:

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.

DEVON AUDIT PARTNERSHIP - Arrangements post March 2017 **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 future direction of the Partnership, including a 10 year partnership agreement (subject to a review after 5 years)
- ii. That members note the potential to develop of a strategic alliance with Audit West to help further develop the partnership, developing ideas and services that both partnerships will benefit from.

1 Background

- 1.1 The Partnership was created in 2009 to deliver internal audit for Plymouth, Torbay and Devon councils.
- 1.2 The Partnership is governed as a Joint Committee (under Section 20 of the Local Government Act 2000) and is attended by two Members from each of the three founding Partners, and a representative from Torridge District Council (as a non-voting member). The role of chair for the committee rotates between the three partners on an annual basis.
- 1.3 The Partnership has a Management board comprising the Directors of Finance (Section 151 Officers) from the founding Partners and Torridge DC, and the Head of Partnership.

2 A New Partnership Agreement for 2017 and beyond

- 2.1 At the previous Management Board and Partnership Committee we discussed, in general terms, the future of the partnership post 2017. The current partnership agreement “ends” in March 2017, the Management Board and Partnership Committee fully agreed that the Partnership has delivered its aims and objectives, and that partnership working should continue post March 2017.
- 2.2 *Timeframe*
 - 2.2.1 The previous agreement was for a three year period (April 2014 to March 2017). Experience has shown that considerable effort is needed to prepare an agreement, requiring the input from legal colleagues at Devon, Plymouth and Torbay councils and then the support of members services colleagues to agenda the item for senior management teams, cabinet, audit committees, partnership committee and / or mayoral approval. In addition a three year agreement only really allowed for 18 months of “business as usual” as, from 18 months in, consideration has to be given to what future arrangements would be.

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2.2.2 Furthermore, when tendering for opportunities, we are often asked to provide details of the partnership arrangements, and this can give rise to complications if the contract we are tendering for extends beyond the end date of our Partnership Agreement.

2.2.3 For these reasons the Management Board have agreed that the new agreement should be for a 10 year period, with a review after five years. The agreement will contain release arrangements, and should DAP fail to provide a service, or meet partners expectations then the agreement can be terminated. This longer term agreement provides better stability for the Partnership, and enables it to develop staff and processes in line with the Management Board's wishes and direction.

2.3 *Funding levels*

2.3.1 One of the key elements of any agreement will be funding levels. The Partnership has successfully delivered considerable savings to the Partners since 2009. Our day rate remains below the national average; the CIPFA 2014/15 benchmark club results for unitary authorities shows that the average cost per audit day was £298; the cost of DAP was £259 per day.

2.3.2 Each Partner has benefitted considerably in terms of reduced costs of their internal audit service and all these savings add up. To date, the partners have saved £2.33m based on the former internal audit costs at each authority pre April 2009.

2.3.3 However, it is important that internal audit remains “relevant” – the need to make financial savings in previous years is recognised and has been achieved. Commitment from the Partners to support and finance their internal audit partnership at a sustainable level will ensure a service that remains viable, professional and can provide the assurance that senior managers and members require in a constantly changing landscape. The Management Board have agreed that funding levels for each Partner will remain at the 2016/17 level for the duration of the agreement (with pay and price inflation costs applied as per the current arrangement), but that funding will be adjusted in line with audit plan requirements.

2.4 *Changing our plans – being pro-active and re-active*

2.4.1 The constant change environment that public sector organisations operate in is recognised and with this comes the realisation that, in the future, the level of audit input for each Partner may need to be reassessed.

2.4.2 For example, if a service (e.g. Libraries) were to transfer out of the local authority, the responsibility for internal audit would rest with the new service provider rather than the local authority. In such instances we would aim to work with Partners in identifying an “average” level of input for such a service, with the aim of the budget for this service being “passported” over to the new organisation to obtain internal audit (we strongly encourage terms of agreement in arms length organisations to include the requirement for internal audit). We would then expect to be the preferred supplier for the new organisation, or, in other instance, tender to provide services to the new organisation.

2.4.3 The net effect of this will be to reduce the cost of internal audit to the Local Authority, but will provide the opportunity for DAP to maintain effectiveness and tender for services where required.

2.4.4 The Management Board have agreed this approach and agree that partner internal plans should be re-assessed on an annual basis taking into account changes in organisational

delivery and risk. This will determine the expected level of “days” which will then be provided at the agreed daily rate.

3 Making it better going forward.

- 3.1 We are constantly aiming to improve and It is always appropriate to consider what could be done differently to further improve outputs and outcomes.
- 3.2 The Partnership has worked well, the benefits of partnership working are clear and we are keen to add to our partner base. However, our location, in the Devon area does bring with it challenges to further expansion.
- 3.3 Since the February meeting DAP have met with representatives from Audit West (AW), an audit and assurance partnership between North Somerset and Bath & North East Somerset (BANES) and hosted by BANES. Discussions between AW and DAP have indicated that
 - AW have skills in areas where DAP currently does not;
 - AW have people with aptitudes that DAP currently do not;
 - AW have pioneered approaches in their area that have made real benefits for clients;
 - DAP has resources to deliver that would be of benefit to AW;
 - DAP has access to significant markets that AW and DAP could look to grow;
 - DAP & AW work on similar ethos – i.e. improving services in the public sector;
 - DAP & AW share similar operating models, with both using a local authority to “host” the service;
 - DAP & AW wish to grow their services, make a real difference to clients, and further build on reputations for excellence and creativity in the provision and delivery of internal audit.

4 A Strategic Alliance

- 4.1 DAP management consider that there is benefit from working with AW in the form of a “strategic alliance”.
- 4.2 The purpose of the Strategic Alliance will be to aid in the development of both partnerships and to provide value added services to the wide range of clients that they both serve.
- 4.3 This will not result in a change in governance or control for either partnership but it is anticipated that the Strategic Alliance will further the sharing of best practice, expert knowledge and expertise, enabling each partnership to develop and deliver audit and assurance services that may not have been possible without the Alliance.
- 4.4 In particular the Alliance will be focussed on growth of both partnerships by widening the areas of expertise of assurance based services. Initially the following areas have been identified as “early wins” –
 - Information Governance (Information Security, Data Protection, FOI, Records Management)
 - Business Continuity (Planning & Testing);
 - Financial Assessments (Viability Checks and Procurement Exercises);
 - Business Rates (Growth Opportunities and Data Integration);
 - Grant Return (Certification & Audit).

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- 4.5 The Alliance will also look to exploit and develop joint working opportunities and efficiencies over the whole range of methodologies that support audit and assurance based work. This will mean that, where practicable, the two partnerships will agree a key principle that they consider working together on any activity in order to achieve mutual benefit.
- 4.6 In practical terms the Partnerships will work independently to provide assurance services to their partners and clients, but will collaborate to further develop products and services and support each other to deliver services when required.
- 4.7 The Management Board have agreed to the concept of a Strategic alliance being progressed, with a further paper coming to the next Management Board (November 2016)

Robert Hutchins

Head of Devon Audit Partnership

Electoral Divisions: All
Local Government Act 1972

List of Background Papers

Contact for Enquiries: Robert Hutchins
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<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
Nil		

There are no equality issues associated with this report

DEVON AUDIT PARTNERSHIP ANNUAL REPORT 2015/16 **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 2015/16 financial year.
 - ii. That members note the continued development of arrangements with partners
 - 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 2015/16 and some of the key achievements during this period.

Robert Hutchins

Electoral Divisions: All
Local Government Act 1972

List of Background Papers

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Nil

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Internal Audit

Annual Report 2015-16

Partnership Management Board

Pages
17
June 2016



Auditing for achievement

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Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>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.</p> <p>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 .</p>	<p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation’s disclosure policies.</p> <p>This report is prepared for the organisation’s use. We can take no responsibility to any third party for any reliance they might place upon it.</p>

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 2015/16

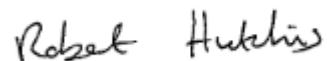
2015/16 was the 7th year for the Partnership. I am pleased to report that we have again made a small, but useful, operating surplus, and have been able to grow our client base by welcoming Torridge District Council to the Partnership (initially as a “non-voting” member).

Our report to the Partnership Committee in October set out some of the key financial achievement made in our first seven years; these include a day rate considerably below the national average (CIPFA 2014/15 average cost per audit day = £298; DAP was £259); delivery of year-on-year savings that now total 55% since 2009, with a further 10% saving planned for 2016/17 and recognising that, to date, the partners have saved **£2.33m** based on the former internal audit costs at each authority pre April 2009.

But it is clear that this is not a “race to the bottom”; we are expected to deliver a high quality service, meeting our client’s needs and expectations. We consider we have achieved this, with our customer feedback remaining excellent (an extract of the positive feedback we receive can be found on our website). We have continued to meet the requirements for our Customer Service Excellence accreditation as well as meeting required professional standards set out in the RSIAS.

2016/17 is the last year for the current partnership agreement; we are extremely pleased that all our partners have shown their desire to continue to work in partnership, a view that has been fully supported by the Partnership Committee. During 2016 we shall work with various colleagues in preparing a new partnership agreement that will take the partnership forward and build on the successes already achieved.

The success of the Partnership is down to the professionalism and hard work of the staff employed. They have all risen to the challenge of providing higher quality services at a time when finances available are very limited. My thanks go to all of the team at Devon Audit Partnership.



Robert Hutchins
Head of Devon Audit Partnership
June 2016

Partnership Membership and Client Development

Torrige District Council

Torrige have opted to join DAP for 2016/17 on a non-voting basis – with this being on a “trial basis” for the year, but with a view to longer term arrangements.

When DAP was extended (April 2014) our partnership agreement was modified so that it made it easier for other organisations to join (either as a voting or non-voting member). We welcome Torrige to the Partnership and trust that the association will be long and successful.

South Hams and West Devon Council

We continue to provide audit management arrangements for both councils. The audit team make use of our MKi software, and we have supplemented the team with some of our auditors to provide additional capacity.

Police

As previously reported Devon and Cornwall Police have developed a strategic alliance with Dorset and this has resulted in the internal audit function moving to the Dorset force. As a consequence our colleagues, SWAP, shall be leading on internal audit delivery, but we shall continue to support both forces in the delivery of the internal audit plan.

We have very much enjoyed working with the Police and have valued them as a partner of DAP.

Academy Schools

In April the government announced that all schools would be required to convert to academy status by 2022. This requirement has now been somewhat reduced, but there is still an expectation that schools will continue to move to academy status. We market our services to schools that are looking to convert, and have been able to secure a reasonable percentage of work going forward.

We have recently secured work from the Genesis Academy Trust (based in the Sidmouth area) which will require termly visits to each of the 3 schools in the Academy from the autumn term.

Contract reduction and diversification

Budget position

The Partnership has consistently remained within budget and at the end of 2015/16 carried forward a reserve of £181k. The out-turn for 2015/16 shows that a small surplus was achieved (£5k). 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.

Our current three year business plan (summer of 2013) reflects the need to deliver future annual cost savings of 10% this year (this is in addition to the 55% costs savings since the partnership was founded in 2009/10); the Partner authorities recognise that this will result in revised coverage in the audit plan and, possibly, reduced assurance.

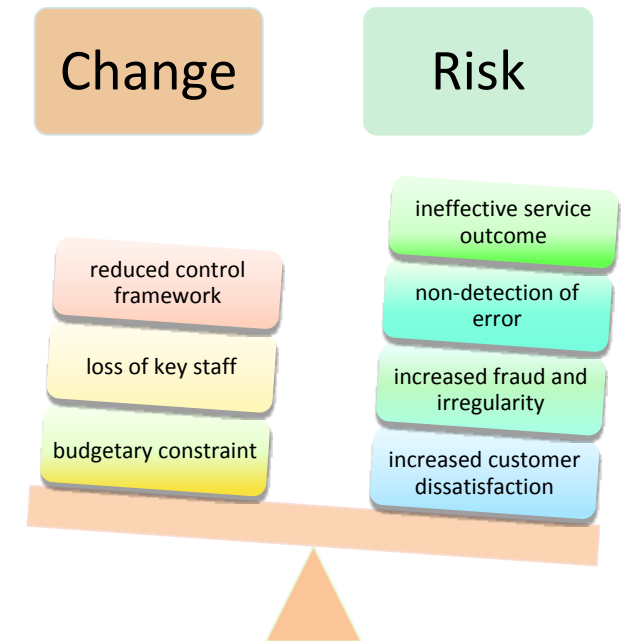
Change in balance of work - diversification

Our challenge is to ensure that, as far as is practicable, the reduction in work for partner members is offset with the expansion of other work.

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. All public sector organisations are looking at how services can be transformed; what worked in the last decade may not meet new challenges. The use of, and dependency on, IT for service delivery will only increase further; this brings rewards but also carries its own risk.

The level of audit input required for irregularity investigations continues to increase proportionally; discussions with other internal audit teams across the south west (and beyond) suggests that this pressure may be as a consequence of reduction in the Authority’s management structure due to National budgetary constraint. This is not to say that fraud has increased, rather to say that management’s ability to deal with it may have reduced and therefore there has been a greater expectation and demand on support from internal audit.



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.

Risk Management, April 2016

“Thank you very much for another excellent report, especially given the tight timescale, much appreciated. Really useful to have your independent view.

ICT, March 2016

“ICT is grateful to DAP for the effort and attention in the matter of the recent audit... and welcomes the overall assurance finding. My thanks to the auditor for the additional information provided on this.

Council Tax, January 2016

“We see audit very much as a partner in trying to shape the service in times of shrinking resources in order to make sure we still maintain integrity and security”.

School Place Planning, January 2016

“It was helpful to have positive recognition for what we do well and the recommendations were constructive.

The audit added value in that it provided us with an opportunity to step away from our work and reflect on what we do.

Tree Management, February 2016

“The audit was planned very carefully, and efficiently, and was very inclusive in involving all necessary participants from this Service.

The auditor was extremely efficient, and helpful, had carried out relevant research before these meetings, and had an excellent understanding of the work done by this Service which helped her in identifying the key areas for improvement

The report was/is very comprehensive, clear, and of great practical value in terms of approving the tree service we provide.

The audit added value in that the whole experience was thought provoking, and the depth of understanding by the auditor of the work processes we use, and could use, was very impressive. We have already improved our use of IT to achieve efficiencies in time taken to deal with TPO applications, and are planning training sessions to assist planning officers in their tree related work

Collaborative Partner Working

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. Our first update letter was issued in December and can be found on our website

<https://www.devonaudit.gov.uk/audit-together/>

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. 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.

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.

Every nine months or so we have staff development day; this is an opportunity for all DAP staff to come together and learn of issues and challenges that will affect the team and the clients we serve. Our September development day included:- Effective Communication of Key Messages; Analytical Review; Opportunities for Value Added and Sampling Techniques.

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

Customer Service Excellence (CSE)

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

In April 2016, June Shurmer, our assessor, visited the team and evaluated our customer services against a rolling programme. The CSE standard expects and requires “continuous improvement” and it was pleasing to note that June recognised our continued development, but was also to provide very useful guidance as to where further improvement can be made.

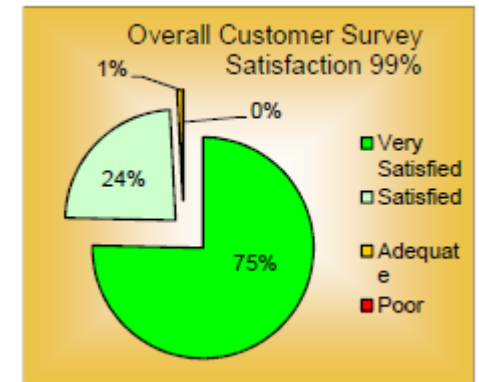
During the period we issued client survey forms with our final reports. The results of the surveys returned remain very good and very positive. The overall result is very pleasing, with near 99% being "satisfied" or better across our services, see appendix 1. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

We have produced two further survey forms which we plan to use in semi structured meetings with client senior management and the executive. This will extend feedback across the whole organisation.

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 :-

- 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 2015/16



Internal Audit Performance

Our provisional outturn analysis of performance for the year ended 31st March 2015 indicates that overall performance was good and generally exceeded our targets. 94% of the respective audit plans were delivered (against a target of 90%) and customer satisfaction levels of 99% 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 2016) Inc Schools

Local Performance Indicator (LPI)	Full year Target	Full year Performance	Quarter 3 2015/16	Outturn 2014/15	Direction of Travel (where applicable)
Percentage of Audit Plan Started	100%	100%	80.47%	98%	→
Percentage of Audit plan Completed	90%	94%	56.60%	92%	→
Percentage of chargeable time	65%	68%	68.60%	68%	→
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	99%	99.00%	98%	→
Draft Reports produced within target number of days (currently 15 days)	90%	84%	76.13%	87%	↑
Final reports produced within target number of days (currently 10 days)	90%	96%	93.53%	97%	↑
Average level of sickness absence	2%	5.9%	4.94%	6%	↓
Percentage of staff turnover	5%	4% (2 People)	4% (2 People)	3%	→
Out-turn within budget	Yes	Yes	Yes	Yes	→

However sickness in 2015/16 was considerably higher than projected. Days lost to sickness in **2015/16 totalled 349**.

Our sickness rates have been affected by long term sickness for a number of employees; 5 employees had periods of sickness of 20 days or more, two 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 five employees, days lost to sickness for the rest of team was 63 days.

Looking to the Future

2016/17 sees the final year of the current partnership agreement, and requires a further 10% in savings to be delivered. We have made some small changes in staffing which will enable the Partnership to operate for 2016/17 within the financial envelope available.

The previous Partnership Committee discussed the future of the partnership post 2017. The Management Board and Partnership Committee have fully agreed that the Partnership has delivered its aims and objectives, and that partnership working should continue.

We now need to work with colleagues (e.g. legal) in preparing a new Partnership Agreement. Previous experience has found that a three year contract only really allowed for 18 months of “business as usual”, and that tender opportunities often request details of the partnership arrangements, which can give rise to complications if the contract extends beyond our Partnership Agreement. For this reason it is proposed that the new agreement be for a longer period

Funding levels

One of the key elements in the agreement will be funding levels. However, it is important that internal audit remains “relevant” – the need to make financial savings in previous years is recognised and has been achieved; careful consideration will be required when setting future funding levels to ensure that the service is properly financed to continue to provide professional, effective, pro-active and value added services.

It is acknowledged that there will be pressure to reduce plan days, however this must be considered against sound risk management processes and the need to have effective and adequate independent assurance to meet Senior Management, s151 Officer and Audit Committee requirements.

Changing our plans – being pro-active and re-active

The constant change environment that public sector organisations operate in is recognised and with this comes the realisation that, in the future, the level of audit input for each Partner may need to be reassessed. We expect that services will transfer out of local authorities, with the responsibility for control (and internal audit) resting with the new service provider. We aim to work with new providers to deliver an internal audit service (we strongly encourage terms of agreement in arms length organisations to include the requirement for internal audit).

Strategic Alliance

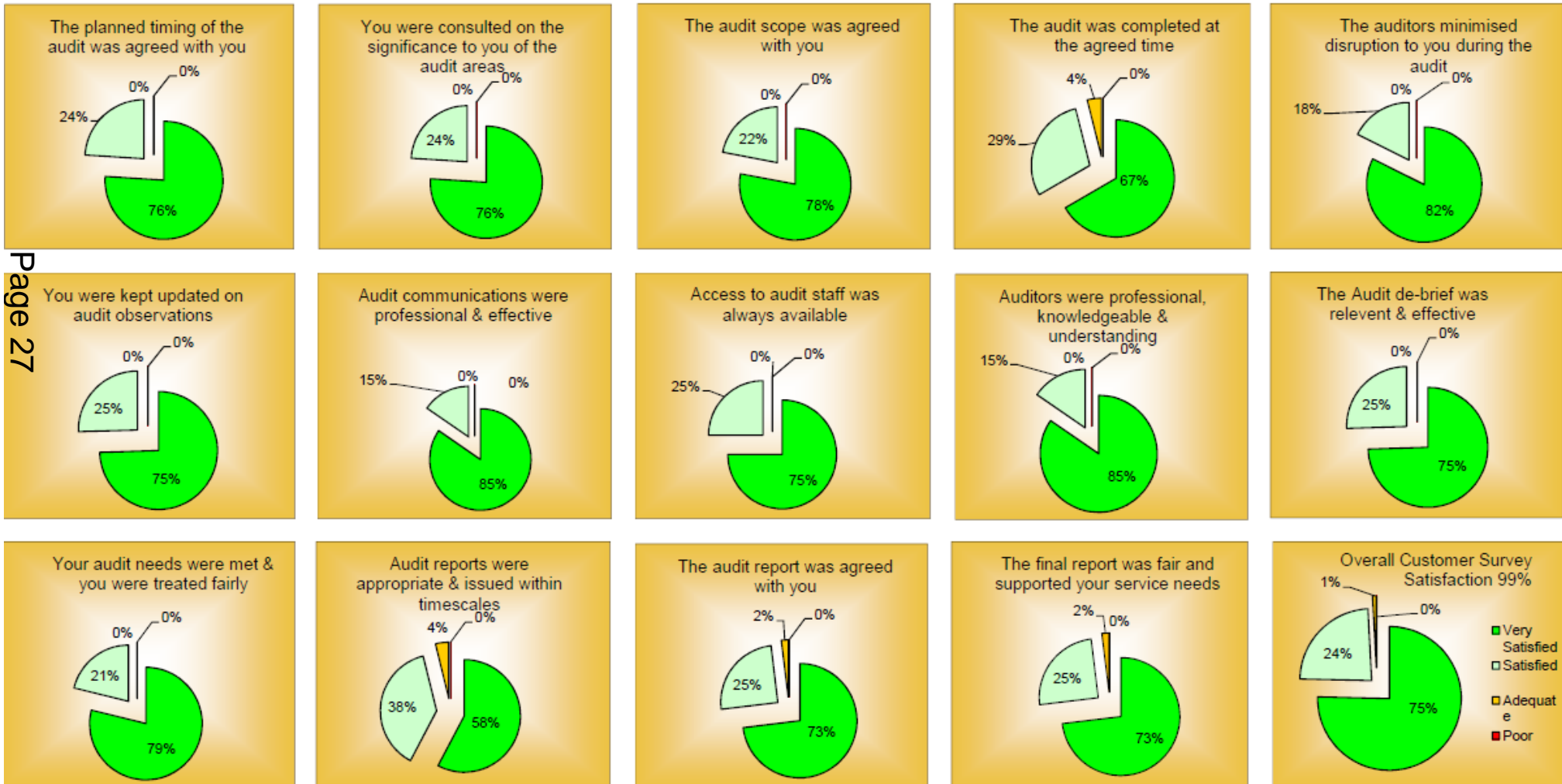
We are constantly considering what could be done differently to further improve outputs and outcomes. The Partnership has worked well, the benefits of partnership working are clear and we are keen to add to our partner base. However, our location, in the Devon area does bring with it challenges to further expansion. Since the February meeting DAP have met with representatives from Audit West (AW), an audit and assurance partnership between North Somerset and Bath & North East Somerset (BANES) and hosted by BANES, and we consider that there is benefit from working with AW in the form of a “strategic alliance”.

The purpose of the Strategic Alliance will be to aid in the development of both partnerships and to provide value added services to the wide range of clients that they both serve. It is anticipated that the Strategic Alliance will further the sharing of best practice, expert knowledge and expertise, enabling each partnership to develop and deliver audit and assurance services that may not have been possible without the Alliance.

Appendix 1 - Customer Service Excellence Results – 2015/16

Customer Survey Results April 2015 - Mar 2016

The charts below show a summary of 52 responses received.



Appendix 2 – Local Performance Indicators 2015/16

Breakdown of Performance by Client

<i>Local Performance Indicator (LPI)</i>			
	Plymouth	Torbay	Devon
Percentage of Audit plan Completed	99%	85.9%	96%
Percentage of Audit Days delivered	89%	95.4%	99.1%
Percentage of chargeable time	69.8%	64.3%	68.9%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	98%	100%	100%
Draft Reports produced within target number of days (currently 15 days)	95%	72.8%	84.6%
Final reports produced within target number of days (currently 10 days)	98%	96.9%	93.7. %