

Phil Norrey
Chief Executive

To: The Chair and Members of the
Audit Committee

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

(See below)

Your ref :
Our ref :

Date : 13 May 2019
Please ask for : Dan Looker, 01392 382232

Email: dan.looker@devon.gov.uk

AUDIT COMMITTEE

Tuesday, 21st May, 2019

A meeting of the Audit Committee is to be held on the above date at 2.15 pm in the Committee Suite - County Hall to consider the following matters.

P NORREY
Chief Executive

A G E N D A

PART I - OPEN COMMITTEE

- 1 Apologies for absence
- 2 Minutes

Minutes of the meeting held on 27th February 2019 (previously circulated).

- 3 Items Requiring Urgent Attention

Items which in the opinion of the Chair should be considered at the meeting as a matter of urgency.

- 4 Annual Governance Statement 2018/19 (Pages 1 - 24)

Report of the Leadership Group (CSO/19/13), attached.

- 5 Annual Internal Audit Report 2018/19 (Pages 25 - 60)

Report of the County Treasurer (CT/19/47), attached.

6 Internal Audit Strategy 2019/20 (Pages 61 - 68)

Report of the County Treasurer (CT/19/48), attached.

7 Internal Audit Charter 2019/20 (Pages 69 - 78)

Report of the County Treasurer (CT/19/49), attached.

8 Devon County Council - Control Environment (Pages 79 - 92)

Report of the County Treasurer (CT/19/52), attached.

9 2018/19 Risk Management Annual Report (Pages 93 - 102)

Report of the County Treasurer (CT/19/46), attached.

10 External Audit Update (Pages 103 - 114)

Report of Grant Thornton, attached.

11 Audit Committee Annual Plan 2019/20 (Pages 115 - 116)

The Committee to note the Annual Plan and forthcoming business, attached.


12 Future Meetings

Please use link below for County Council Calendar of Meetings:

<http://democracy.devon.gov.uk/ieListMeetings.aspx?CId=161&Year=0>

**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.

Membership
Councillors J Mathews (Chair), I Hall (Vice-Chair), J Berry, J Brazil, R Peart, A Saywell and Y Atkinson
Declaration of Interests
Members are reminded that they must declare any interest they may have in any item to be considered at this meeting, prior to any discussion taking place on that item.
Access to Information
Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Dan Looker, 01392 382232. 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.
Webcasting, Recording or Reporting of Meetings and Proceedings
The proceedings of this meeting may be recorded for broadcasting live on the internet via the 'Democracy Centre' on the County Council's website. The whole of the meeting may be broadcast apart from any confidential items which may need to be considered in the absence of the press and public. For more information go to: http://www.devoncc.public-i.tv/core/ 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 Chair. 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 Chair 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.
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Please switch off all mobile phones before entering the Committee Room or Council Chamber
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 or write to the Democratic and Scrutiny Secretariat at County Hall, Exeter, EX2 4QD.
 Induction loop system available

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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).

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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.



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First Aid

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

CSO/19/13
Audit Committee
21 May 2019

GOOD GOVERNANCE IN LOCAL GOVERNMENT

Report of the Leadership Group

Recommendation: that the draft Governance Statement be approved;

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The Council is required, annually, to prepare and publish a Governance Statement in accordance with CIPFA/SOLACE guidance and comply the Accounts and Audit (England) Regulations 2015, as amended, reviewing its system of internal controls in line with best practice. The Council is required to publish the statement alongside the Annual Statement of Accounts.

This will be the twelfth year for which the Council is required to produce a Governance Statement. Revised guidance issued during 2016 (based on the International Framework: *Good Governance in the Public Sector (CIPFA/IFAC, 2014)*) interpreted for a local government context incorporates revised core principles and sub-principles of good governance which form the basis of the accompanying, detailed schedule adapted from the International Framework.

It is a matter ultimately for individual Councils how to set out its commitment to the principles of good governance included in its Governance Framework and structures and to demonstrate how it operates effectively in practice. In line with advice from the External Auditor the Annual Governance Statement should be considered and signed-off by this Committee in parallel with the Council's Statement of Accounts.

As before and in recommending the adoption of the attached Annual Governance Statement the Leadership Group, Chief Officers and Heads of Service confirm that the organisational, financial, compliance and operational key controls referred to therein and the accompanying schedule continue to be appropriate and that statements of internal control which support the content of this Statement have operated, effectively, during the year in question.

This Report and the accompanying Statement have no specific equality, sustainability, public health or legal implications that are not already covered by or subsumed within the detailed policies or actions referred to therein.

**[Electoral Divisions: All]**

Local Government Act 1972: List of Background Papers

Contact for Enquiries: D Looker  
Tel No: 01392 382232 Room: G31

| <u>Background Paper</u> | <u>Date</u> | <u>File Reference</u> |
|-------------------------|-------------|-----------------------|
| Nil                     |             |                       |

# Agenda Item 4

## **DEVON COUNTY COUNCIL Annual Governance Statement 2018/19**

### **Purpose of Annual Governance Statement**

To achieve good governance, a Council must not only take account of the legislative and constitutional arrangements that underpin them but should use all means at its disposal to explain to the community, service users, tax payers and other stakeholders how its governance arrangements work and how the controls it has in place manage risks of failure in delivering its outcomes.

An Annual Governance Statement should therefore provide a meaningful communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic and written in an open and readable style, in line with CIPFA guidance.

The County Council's Annual Governance Statement:

- a) acknowledges responsibility for ensuring there is a sound system of governance incorporating systems of internal control;
- b) recognises and assesses the effectiveness of key elements of the governance framework, including joint arrangements where appropriate and the roles of the Council, its Cabinet, Audit and other Committees as appropriate;
- c) provides an opinion on the level of assurances that the Council's governance arrangements can provide;
- d) recognises and reflects upon any appropriate action(s) identified or required in earlier Statements and commits to monitoring any action(s) required as part of this Statement.

### **Scope of Responsibility**

Devon County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the County Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions and manage risk.

The County Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* (2016). The Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015.

### **Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks not being realised - and the impact should they be realised - and to manage them efficiently, effectively and economically.

Satisfactory controls to support statements made in this Annual Governance Statement are essential and in endorsing it the Council's officers confirm that input to systems and processing of transactions is complete for the financial year ended 31 March 2019 and that there were no material or significant delays or backlogs of either input or processes that would result in financial or other records being incomplete.

The Council's financial management arrangements also conform with the CIPFA/SOLACE guidance on the role of the Chief Financial Officer in Local Government (2010), enabling the County Treasurer to operate in line with the 5 principles set out in the 'Application Note Delivering Good Governance in Local Government: A Framework' to operate effectively and perform her core duties demonstrating commitment to good practice in governance and financial management.

## **The Governance Framework – The Council's Constitution**

The Constitution is fundamental to the working of the County Council and transcends the core principles and sub principles of corporate governance in the CIPFA/SOLACE Framework which form the basis of the attached schedule. Many of the structures and processes referred to here are readily available either through the Constitution or in the Council's website.

The Constitution is the Council's Code of Corporate Governance. Framed in accordance with statute and Government guidance, it has evolved in the light of experience and subsequent legislation. It sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution is the guarantor of the continuing openness, accountability and integrity of the Council's decision-making processes and sets a series of exacting standards against which the Council's actions can be judged and, if necessary, challenged.

The Constitution is at the heart of the Council's business:

- a) it allocates power and responsibility within the Council and between it and partner organisations;
- b) it delegates authority for specific issues to act to the Leader, Committees, Cabinet Members and officers;
- c) it enables the people of Devon to access information and ask questions or make representations or submit petitions at certain meetings;
- d) it sets down the procedures by which the people of Devon may give their views on the key decisions which the Council's Cabinet is to take;
- e) it regulates and identifies standards for the behaviour of individuals and groups through codes of conduct (including interests, conflicts of interest and whistleblowing), protocols and standing orders.

The Constitution comprises 16 Articles setting out the basic rules governing all aspects of the working of the Council (Part 2) and is then divided up into:

- a) the elements which define the Council's internal organisation, standing orders, financial regulations, schemes of delegation and terms of reference, procedures covering Cabinet

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and Scrutiny, Risk Management and Codes of Business and Personal Conduct – for Members and Officers (parts 3-9);

- b) working practices which supplement these formal rules (Part 10);
- c) The Framework of Corporate Guidance, which includes other Devon County Council strategies and plans (Part 11).

In formulating its Constitution in 2002, the Council adhered closely throughout to the framework presented in Government's *Modular Constitutions for English Local Authorities*, enabling it to produce a document which was logical, integrated and accessible to members, officers, citizens and others interested in the way a local authority makes decisions and governs itself and its area. Then and subsequently, wherever legislation permitted local choice, the Council has framed its Constitution to take advantage of the most open and inclusive of the available options.

The Constitution is designed to meet all the necessary statutory requirements for instruments of governance and to include matters traditionally covered by local authority standing orders, financial regulations, schemes of delegation and terms of reference. It also contains the elements necessary to describe the Council's Executive arrangements in a single, coherent document which can be used as a comprehensive point of reference by individuals and organisations both inside and outside the Council. All the familiar elements can be found in the Constitution and the Council has sought to use the model format to create a genuinely accessible and meaningful instrument of governance.

The Council is committed to involving the community in setting its priorities, enabling citizens to raise matters with and convey their concerns to the Council and to considering the needs of all groups in the community and promoting democratic understanding and participation. The Council's Constitution provides that framework and is underpinned by relevant policies and practices through the Council's website (e.g. consultations, feedback, and public participation).

## **Review of Effectiveness**

The County Council's Constitution has been in force since 2002 and is regularly reviewed (by the Council's Procedures and Standards Committees, as appropriate). The [Constitution](#) is published on the County Council's website.

Over the last two years there have been, via the Procedures Committee numerous amendments to the Constitution. These included a change of practice regarding Motions brought to the Council, that were not the responsibility of the Cabinet, be referred to the appropriate Committee, the introduction of a Scrutiny Voting Scheme, clarification on the process for motions and amendments and also changes to Cabinet, Council and Scrutiny Procedure Rules were also agreed. It was further resolved by Council in February 2019 that the Constitution be amended to reflect the revised Pay Policy Statement for 2019/20.

A review of Financial Regulations was undertaken in April 2018 resulting in changes to both the regulations as well as procurement policy, procedures for tenders and contracts and disposal of surplus property.

A large scale review of the Council's scheme of delegation was undertaken during 2018, reporting to the Procedures Committee in November 2018. This ensured an up to date position and a thorough assessment that the scheme was accurate and fit for purpose.

Further changes were made to the public participation scheme to provide clarity and public representation.

A review of ethical governance was carried out by the Devon Audit Partnership (DAP) in 2018 and confirmed that the Council has a robust ethical governance framework in place, set out in the



Constitution, which takes account of statutory dissemination, delivery monitoring and maintenance of ethical standards. Particular areas of strength were the member mentoring carried out by the Standards Committee and member induction training. The high standard reported meant the system and contracts in place adequately mitigated exposure to risks identified.

The County Council must, at least annually, review the effectiveness of its governance framework including systems of internal control. This review of effectiveness is informed by the work of managers within the authority who have a responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

## **The Council**

The Council currently comprises of 60 members, meeting together as the full Council for specific purposes, to decide the Council's overall policies and set the budget each year. Meetings of the Council and its Committees are normally open to the public. The Council appoints the Leader and Deputy Leader, Scrutiny Committees, the Standards Committee and all other Committees. The Council receives the minutes of committees, and has power to vary or refer back decisions which are outside established policy. From time to time it also debates issues of particular relevance or topicality for the County.

The roles and responsibilities of the Council, as well as its Cabinet and non-Cabinet Members are set out more fully in Articles 2 and 4 of the Constitution and in Part 3 (Responsibility for Functions). These have been regularly reviewed and revised since the County Council elections in 2017 and are themselves balanced by the Codes of Personal Conduct set out at Part 6 of the Constitution.

## **The Cabinet**

The Cabinet is the part of the Council responsible for most day-to-day decisions. It is made up of a Leader and Cabinet Members appointed by the Leader from amongst the membership of the Council. When major decisions are to be discussed or made, these are published in the Cabinet's Forward Plan in so far as they can be foreseen. These major decisions will be taken with Council officers present at meetings of the Cabinet which will be open to the public except where personal or confidential information is discussed in line with the Council's Access to Information Rules (Part 4 of the Constitution). The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this matter must be referred to the full Council to decide.

## **The Scrutiny Function**

Scrutiny Committees support the work of the Cabinet and the Council as a whole. They look at the effectiveness of the Council's own policies and those of the NHS and inquire into matters of local concern. These investigations lead to reports and recommendations which advise the Cabinet and the Council on its policies, budget and service provision. Scrutiny Committees also monitor the Cabinet's decisions. They may "call-in" a decision which has been made by the Cabinet but not yet implemented. This enables them to consider whether the decision is appropriate and they may recommend that the Cabinet reconsiders it. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy or service delivery. Scrutiny has an important role in ensuring that the voice of the people of Devon are heard in policy development and delivery.

Following the 2017 Elections, it was resolved that three Scrutiny Committees (Children's / Health & Adult Care / Corporate Infrastructure and Regulatory Services) would replace the former Place / People's / Health & Wellbeing / Corporate Services Scrutiny Committees. The Scrutiny Budget process was also reviewed and the Council agreed that the Joint Budget Scrutiny Meeting be no longer held, but the Corporate Infrastructure and Regulatory Services Scrutiny Committee undertaking its overview function in this regard.

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The Health and Adult Care Scrutiny Committee has responsibilities conferred by the Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013 for Scrutiny of any matter relating to the planning, provision and operation of the health service in Devon and the requirement to independently review and comment on Health Providers Quality Accounts. This includes the delegated responsibility for a referral to the Secretary of State for Health on a substantial variation as well as the monitoring of the function and activity of the Devon Health & Wellbeing Board and its statutory responsibilities for the Joint Health & Wellbeing Strategy, the Joint Strategic Needs Assessment and the Pharmaceutical Needs Assessment.

Scrutiny Committees aim to operate in a non-partisan, critical friend way which it is believed has served both the electorate and the Council well in line with the Constitution and the Council's protocol governing relationships between the Cabinet and Scrutiny Committees. Members of the Council may place items on the agenda of any Scrutiny Committee, a right which has always effectively existed in the Constitution since it was first adopted in 2002, reflecting the requirements of the Local Government & Public Involvement in Health Act and its definition of 'any Local Government matter'.

It is widely acknowledged that, to be effective, call-ins must be used only in exceptional circumstances, sparingly and appropriately. In the year in question there were two call-ins through the Corporate Infrastructure and Regulatory Services Scrutiny Committee on an increase to parking charges and the proposal to declare the building Haldon View, Exeter as surplus to the requirements of the Council. These call-ins may not have resulted in any significant changes to decisions, but it reinforces the independence and value of Scrutiny in applying an 'external' view on decisions.

Reflecting the Council's approach to the commissioning of services, Scrutiny continues to exercise influence through asking questions about delivery mechanisms, quality, monitoring, safety and responsiveness as an appreciative inquiry where problems are analysed and understood as a precursor to improvement and change rather than punitive action. To strengthen Scrutiny engagement in commissioning processes and commissioned services, the Scrutiny Commissioning Liaison Members continue to review planned commissioning activity, reporting back to Scrutiny Committees to inform their work programme.

Scrutiny activity over the last year has continued apace with a variety of reviews. Concerns about mental health have been seen with the work undertaken on the Children and Young People's Emotional Health and Wellbeing Task Group and the Gambling Spotlight Review. Three task groups have been held to respond to highways concerns on speed, surface and winter. Health and Adult Care Scrutiny has through the last year had a key role influencing the emerging Integrated Care System and the development of a Long-Term Plan for Devon. Many Councillors have also taken part in the comprehensive programme of visits to frontline services, furthering their understanding and improving the quality of critical friend questioning.

In recognition of the best practice of this Council, the work of Devon Scrutiny has been featured in the annual publication by the Centre for Public Scrutiny; Scrutiny Frontiers'.

In July 2018 it was agreed that the Council becomes the host Authority to support the new Heart of the South West Local Enterprise Partnership (LEP) Joint Scrutiny Committee. Scrutiny arrangements have been put in place to monitor decision-making and achievements of the LEP, with the first meeting of the Committee in November 2018.

The Cabinet and Leadership Team remain appreciative of the work undertaken by the Scrutiny Committees and acknowledge that it has made a major contribution to the work of the Council, especially in areas where detailed objective research and analysis needed to be done. A summary of the work of Scrutiny Committees during the year is presented to the County Council yearly in an [Annual Scrutiny Report](#).

The strong and effective scrutiny function was recently celebrated with a 20-year symposium event which reflected on the encouragement needed for scrutiny to achieve a meaningful impact to challenge and ultimately achieve better decisions.

## **Organisational Performance**

The impact of the Government's reform of the public realm and local government finances continues to influence the Council's current and future performance.

In June, it was resolved that the Plastics Strategy and Action Plan be adopted by the Council as a response to the issue of plastics accumulating in the environment.

In October the Council resolved that the new Devon CCG's recommendation that Torbay and South Devon Foundation Trust, acting as prime provider for the consortium Devon Children and Families Alliance, become preferred bidder for the delivery of Community Health and Wellbeing Services be supported.

In November the Council resolved that the Children's Services Sufficiency Strategy for placements and services for children in care, care leavers & disabled children should be welcomed and endorsed.

The Council has continued upon a 'purposeful systems' transformation approach, *Doing What Matters*. The Council's External Auditors Grant Thornton fully support the purposeful systems approach the County Council had adopted.

The Council also agreed the following significant actions, specific policy changes or revised strategic objectives during 2018/19 which will impact on future performance:

- a) the Treasury Management Strategy 2019/20 - 2021/22 and Prudential Indicators 2019/20 - 2023/24;
- b) revised scheme of fees and allowances for Devon County Council's Foster Carers which incorporates all of the recommendations of the Council's Children's Scrutiny Committee of 17<sup>th</sup> September 2018;
- c) a new policy dealing with 'persistent evaders' of parking enforcement;
- d) the Admission & Education Transport Policies for 2018-19 and 2019-20;
- e) the Medium Term Financial Strategy 2019/20 - 2022/23;
- f) approval of the 2019/20 Flood Risk Management Action Plan; and
- g) a new joint strategy called 'Living Well with a Learning Disability in Devon 2018-2022'.

## **The Standards Committee**

The Standards Committee continued to exercise its role in monitoring complaints and standards. The Committee acts as champion (and guardian) of the Council's ethical standards and is responsible for promoting / maintaining high standards of conduct by both elected and co-opted Members of the Council. At the heart of the Committee's work are the [Nolan principles of public life](#).

The Standards Committee met 3 times in 2018/19 and its work during the year is set out more fully in its [Annual Report](#). A total of 11 complaints were received under the Members Code of Conduct. There was 1 case where a formal investigation was required. For this case, the outcome

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was heard by the Committee in July 2018, who determined there had been a breach of the Code of Conduct in relation to all the above allegations. The Committee agreed a number of sanctions including a formal censure, recommendations to remove the subject member from Committee / Sub Committees and outside bodies, have access to County Council premises restricted and undertake relevant training.

Efficient, effective and ethical governance protects the public interest and the Council itself. Members and Officers are supported by a wide range of policies and Codes of Practice enunciated in the Council's Constitution and also by a wide range of training opportunities tailored to meet their needs. The Council's Governance Framework is reviewed annually and any issues for the future governance of the Council are highlighted and addressed at that time.

Co-opted Members of the Committee continue to attend other meetings of the Council, Cabinet and other Committees, selected at random, to monitor and observe compliance with the Council's Governance Framework and behaviours, reporting back to the Standards Committee. There were no reports of any specific actions or behaviours that might be felt to have resulted in a potential breach of the Code or warranted further action.

One of the main issues for 2018/19 was ensuring that Members of the Council would undergo a Basic Disclosure and Barring Service (DBS) check as agreed by the Council following a recommendation from the Audit Committee. The Council also approved a Risk Assessment which would be followed in the event of a positive disclosure. Both the policy guidance and risk assessment forms part of the Constitution. The process to DBS check all Members commenced in January 2019.

Following the outcome of a complaint and the resolution of the Standards Committee, the Council arranged Sexual Harassment Training for all Members of the Council. The 4-hour workshop aimed to increase knowledge and confidence in recognising, reporting, responding to and preventing sexual harassment and was delivered by external providers. It was an interactive session exploring Members' roles as a Community Leaders, increasing knowledge of the law, prevalence of the issue, increasing understanding of the impacts and building confidence to recognise, challenge and prevent such incidents taking place.

The Committee also responded to Government consultations on proposed changes to the Standards regime and disqualification criteria for those standing for public office.

## **The Audit Committee / Devon Audit Partnership**

The Council's Audit Committee monitors the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources including the work of the Council's Internal Audit team and the External Auditor and the application of the Council's Risk Management policy.

The Audit Committee continues to review separately, and on a regular basis, progress with and implementation of any recommendations made in Audit Reports into specific areas of activity to ensure they have been adhered to and appropriate management action taken. It also reviews the Council's Risk Management Strategy and Registers on a regular basis.

The Annual Audit Letter (for the year ended 31 March 2018) from the Council's external auditors, confirmed that the accounts had been produced to a good standard with an excellent level of support provided by the Council's Finance Team.

The Devon Audit Partnership was established by the Council in conjunction with Plymouth City and Torbay Councils in 2009 to provide shared internal audit services (as a means of improving services through joint working and maximising efficiencies and economies of scale). Mid Devon District Council and Torridge District Council have subsequently joined the Partnership. In March

2019 it was agreed that South Hams District Council and West Devon Borough Council become non-voting partners of the Partnership with effect from April 2019.

The Devon Audit Partnership currently undertakes audit work for a number of District Councils, Devon and Somerset Fire and Rescue Service, Devon and Cornwall Police, the University of Plymouth and many other public authorities and plans to continue expanding on their work with external partners. The Partnership and democratic arrangements are functioning well and will continue to be reviewed.

## **The Investment and Pension Fund Committee**

Accounting arrangements require separate accounts to be prepared for the County Council and the Devon Pension Fund. Recognising the need for clear governance arrangements for managing these accounts the Council's Investment & Pension Fund Committee undertakes the role of reviewing and approving the Pension Fund Annual Report, which incorporates the Statement of Accounts. The Devon County Council Audit Committee undertakes the role to review and approve the accounts of the Devon Pension Fund to ensure appropriate accounting policies were introduced in the same way as it is responsible for monitoring and approving the Council's main accounts.

## **Devon Pension Board**

The Pension Board, which was established in 2015/16, is required to ensure that the Devon Pension Fund is managed and administered effectively and efficiently and to ensure that it complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator. The Devon Pension Board (comprising employer and fund representatives with an independent member) has met six times in total and twice in the past financial year. The operation of the Board will be kept under review.

A summary of the Board's activities and deliberations over the period in question had been included in the [Devon Pension Fund's Annual Report and Accounts 2017/18](#) (and the action taken by the Fund/Fund Manager as a consequence) in scrutinising and satisfying itself with the operation and management of the Fund during that period.

## **Engagement and Participation**

The County Council has always prided itself on the work it does, over and above statutory consultations, to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council. Examples of this are the Council's Communications Strategy, the Devon Voice (Residents Panel), Devon Parent Carers Voice, and the Tough Choices events held by the Leader of the Council across the County as part of a wider exercise by the County Council to consult and involve local people in determining the Council's budgets and priorities. The [Have your say](#) consultation pages allow views to be gathered on service specific proposals and provide opportunity for local people to shape their local services.

## **Public Participation**

Those who live and work in Devon have a number of direct opportunities to [participate](#) in the Council's decision-making process which are explained in more detail in the Access to Information Procedure Rules in Part 4 of the Council's Constitution and in addition to being available to attend meetings and lobby Councillors in the normal way may also ask questions at meetings of the County Council or the Cabinet and make representations at the County Council and a number of other Committees of the Council, including Scrutiny Committees.

## **Governance Issues**

One of the biggest issues addressed by the Council in 2018/19 was the setting of the Revenue Budget for 2019/20, the Medium Term Financial Strategy to 2022/23 and the Capital Strategy 2019/20 to 2023/24 given the continued cuts to local government funding.

# Agenda Item 4

The challenging financial situation justifies the continuing focus on treasury management practices. The County Council's treasury management practices are soundly based on the principle that when balancing risk and return the security and liquidity of an investment is given a higher priority than the yield.

The Council also regularly reviews and updates its Investment Strategy and its Treasury Management Policy and Practices to ensure that they reflect best practice guidance as issued by CIPFA. The Treasury Management Stewardship Annual Report for 2017/18 had not identified any issues to highlight. No new long-term borrowing was undertaken during 2018/19 and it was not envisaged that any new long-term borrowing will be required over the next three-year period but this will be reviewed annually. The report confirmed that investment income targets had been achieved and all lending had been carried out in accordance with the Council's Treasury Management Strategy.

## **Conclusion**

The preparation of the Budget for 2019/20 had been set by the detailed assessment of the risks associated with each budget and the goals and objectives of the Council. The Cabinet was assured that the Budget was an effective and balanced Budget which could be commended to the Council. A 2% increase in spending on Adult Care and Health and a 9.4% increase on Children's Services were highlighted in the Budget.

The Autumn Statement (published on 29th October 2018) outlined £650 million extra funding in 2019-20 for local authorities to help deliver the services communities need and to support the most vulnerable residents.

The 2018/19 100% Business Rates Retention Pilot created an estimated County Council share gain of £16.6 million. It should be noted, however, that Devon's bid for the 2019/20 75% Business Rates Pilot has been unsuccessful, this was to be expected, as few councils had successful bids in both 2018/19 and 2019/20.

The Provisional Settlement (announced on 13th December 2018) gave details of the final year of the current funding settlement which saw core funding reduced by £13.5 million, equivalent to 11.7%. The Adult Social Care Precept rules remain unchanged from 2017/18 – with a limit of 6% over three years, in 2017/18 DCC used 3%, a further 2% in 2018/19, leaving 1% available in 2019/20. Furthermore, the basic increase in Council Tax that will trigger a referendum is now 3%.

The Council's Leadership Team (Chief Officers and Heads of Service) has confirmed that the organisational, financial, compliance and operational key controls referred to in the Annual Governance Statement and the accompanying schedule continue to be appropriate and that statements of internal control supported the content of this Statement; having operated, effectively, during the financial year. Sundry issues identified in the AGS will be relevant and actioned as appropriate over the coming year. All necessary monitoring and/or implementation of key issues identified in the previous AGS have or are continuing to be addressed.

The Council is satisfied that the governance arrangements can and do provide a high level of assurance, that the arrangements continue to be regarded as fit for purpose and that its governance structures reflecting the core and sub-principles of the Statement.

The Council formally places on record and expresses its appreciation to all staff and partners for their continuing commitment to the delivery of high quality services for the people of Devon throughout this period. The spirit and ethos of good governance cannot be achieved by rules and procedures alone. It is vital that shared values that are integrated into the culture of an organisation and are reflected in behaviour and policy, as a hallmark of good governance.

## **Certification**

In light of the aforementioned and the reviews of the effectiveness of the governance framework undertaken by the Cabinet, the Standards Committee, the Audit Committee, the Investment & Pension Fund Committee and by Scrutiny Committees and the plans, as summarised above, to

address weaknesses and ensure continuous improvement of systems is in place. We will over the coming year continue to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed**.....

Chairman of the Audit Committee, on behalf of Devon County Council

**Signed**.....

Chief Executive, on behalf of Devon County Council,

21 May 2019.





| CORE PRINCIPLES AND SUB-PRINCIPLES OF GOOD GOVERNANCE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| Core Principles<br><i>[Acting in the public interest requires a commitment to and effective arrangements for...]</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Sub Principles<br><i>[Behaviours and actions that demonstrate good governance in practice are ...]</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | The County Council's Governance Framework/Internal Control Systems                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p><b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p> | <p><b>Behaving with integrity</b></p> <p>Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organization.</p> <p>Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).</p> <p>Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.</p> <p>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</p> <p><b>Demonstrating strong commitment to ethical values</b></p> <p>Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</p> <p>Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.</p> <p>Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</p> <p>Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.</p> <p><b>Respecting the rule of law</b></p> <p>Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.</p> <p>Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with</p> | <p>The Constitution which is used as a basis for Corporate and service planning and performance agreements. It sets out how the Council operates, how decisions are made and procedures followed to ensure that these are efficient, transparent &amp; accountable to local people.</p> <p>It contains Articles which set out the basic rules governing all aspects of the working of the Council (Part 2), elements which define the Council's internal organisation, standing orders, financial regulations, schemes of delegation and terms of reference, procedures covering Cabinet and Scrutiny, risk management and codes of conduct (Parts 3–9) and documents which focus on the Council's external operation through service delivery, community engagement and partnership working (Part 11).</p> <p>The Constitution sets out the principles of decision making, the decisions that may be taken by the Council, the Cabinet, or the Health &amp; Wellbeing Board and the terms of reference of the Council's Committees and delegations to Members and Officers. Article 12 (Part 2 of the Constitution) and the Budget and Policy Framework Rules provide that the Monitoring Officer and Chief Financial Officers have a duty to ensure lawfulness and fairness of decision making.</p> <p>The <a href="#">Constitution and Policies</a> available on its website contain:</p> <ul style="list-style-type: none"> <li>▪ a Good Practice Guide on outlining Best Practice.</li> <li>▪ Whistle blowing</li> <li>▪ Codes of Personal Conduct applicable to Members and Officers.</li> <li>▪ Details of arrangements for Local determination of complaints in line with revised standards arrangements and in consultation with the Independent Person appointed under the Localism Act 2011.</li> <li>▪ Complaints procedures (Officers)</li> <li>▪ Anti-fraud and anti-corruption policy</li> <li>▪ Equality Policy</li> <li>▪ Zero Tolerance to Hate Campaign</li> </ul> <p>Members Code of Conduct set out at Part 6 of</p> |

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|                                                                                                                                                                                                                                                                                                                                                                                                                           | <p>legislative and regulatory requirements.</p> <p>Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</p> <p>Dealing with breaches of legal and regulatory provisions effectively.</p> <p>Ensuring corruption and misuse are dealt with effectively.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>the Constitution together with other relevant Personal Codes of Conduct gives clear guidance.</p> <p>As part of induction process for the Council the Monitoring Officer provides training on the Council's Constitution, the Ethical Framework and the Code of Conduct including and Members Interests; with refresher training provided on a regular basis thereafter.</p> <p>All County Councillors undergo Disclosure and Barring Service Checks.</p> <p>All County Councillors are reminded annually to review/refresh their General Declaration.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <p><b>B. Ensuring openness and comprehensive stakeholder engagement</b></p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p> | <p><b>Openness</b></p> <p>Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</p> <p>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</p> <p>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</p> <p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</p> <p><b>Engaging comprehensively with institutional stakeholders</b></p> <p><i>[NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable].</i></p> <p>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p> <p>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</p> <p>Ensuring that partnerships are based on trust, a shared commitment to change,</p> | <p>The Constitution set out the Council's rules and procedures for decision-making and the policy and budget frameworks, including the Cabinet and Scrutiny Procedure rules, access to information and public participation rules.</p> <p>Standing orders, codes of conduct and financial regulations well established and publicised throughout the Council.</p> <p>Access to Information and Public Participation rules contained in the Constitution (Part 4).</p> <p>All meetings of the Council, the Cabinet and Committees are normally held in public in accordance with the Council's Access to Information Procedures Rules and Agenda, Minutes &amp; Reports of all Council, Cabinet &amp; Committee meetings are publicly available in line with legislation.</p> <p>Article 12 (Part 2 of the Constitution) and the Budget and Policy Framework Rules provide that the Monitoring Officer and Chief Financial Officers have a duty to ensure lawfulness and fairness of decision making.</p> <p>The Summary and Explanation to the Constitution summarises the rights of members of the public as amplified throughout this statement.</p> <p>The Constitution has been regularly revised to take account of the provisions of the Local Government and Public Health Involvement Act 2007 in relation to <i>Strong Leader</i> and right of Member to put items on a scrutiny agenda. Amendments consequent of the provisions of the Local Democracy, Economic Development &amp; Construction Act 2009 being brought into force will necessarily be made as required. Similarly, the impact of the Localism Act and Health is reflected in the Council's governance arrangements.</p> <p>Part 9 of the Constitution identifies joint arrangements entered into with other local authorities and their scope. Part 11 of the Constitution focuses and identifies those</p> |

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|  | <p>culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.</p> <p><b>Engaging with individual citizens and service users effectively</b></p> <p>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p> <p>Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</p> <p>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p> <p>Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.</p> <p>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</p> <p>Taking account of the impact of decisions on future generations of tax payers and service users.</p> <p>Effective engagement requires good communication, trust and respect. Further</p> | <p>external operations conducted through service delivery, community engagement and partnership working.</p> <p>This is delivered though, inter alia,</p> <ul style="list-style-type: none"> <li>• Annual Financial Statements</li> <li>• Annual Business Plans</li> <li>• Annual Governance Statements</li> <li>• Partnership protocol</li> <li>• Governance code</li> <li>• Compact for Devon</li> <li>• Devon Strategic Partnership</li> <li>• Annual Public Health Reports</li> <li>• Annual Scrutiny Reports</li> <li>• Annual Standards Committee Reports</li> </ul> <p>The Annual Budget booklet outlines financial plans. Outturn report outlines financial performance relative to targets. The Statement of Accounts outlines financial performance in code format.</p> <p>Bi-monthly budget monitoring reports to Cabinet.</p> <p>Corporate Engagement Strategy aimed at securing two-way communications and bringing the Council closer to the people of Devon.</p> <p>Consultations. The <u>Have your say</u> webpages - helping to shape services across Devon.</p> <p>DCC promotes/engages actively with community through:</p> <ul style="list-style-type: none"> <li>• Elections</li> <li>• Democracy week</li> <li>• Devon Voice (Residents Panel)</li> <li>• Devon UK Youth Parliament Team</li> <li>• DCC Senior Council</li> <li>• Meet the Leader 'Tough Choices' Roadshows</li> <li>• Budget Consultations with business community, representatives of young people and older people, the voluntary sector and Trades Unions.</li> <li>• The adoption of a purposeful systems approach with <i>Doing What Matters</i> as part of understanding better what matters to citizens so that they can live their lives well.</li> <li>• DCC <u>Feedback policy</u> available at all DCC premises.</li> </ul> |
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|  | <p>that there is clarity about whom the County Council is engaging with and to what ends. Ensuring that views are listened to, thought about and acted upon. Communicating what the Council is going to do as a result – as part of a ‘You Said, We Did’ way of working.</p> <p>To give local people and communities more influence and control over local services and to help develop a culture that supports equal opportunities for everyone to have their say and to be engaged.</p> | <ul style="list-style-type: none"> <li>• Webcasting meetings of the Council, Cabinet, Scrutiny and other major committees.</li> </ul> <p>Articles and Part 3 of the Constitution clearly outline roles and responsibilities of Members and Officers.</p> <p>Meetings of the Council, the Cabinet and committees are held in public in accordance with the Council’s Access to Information Procedures Rules and Agenda. Minutes and reports of all Council, Cabinet, Committee meetings, Health &amp; Wellbeing Board and Cabinet Member decisions are publicly available in line with legislation.</p> <p>All reports to committees are required to demonstrate equality, legal, financial, environmental, risk management and public health considerations.</p> <p><a href="#">Better Together - Devon 2014 - 2020</a> was developed in conjunction with partners and interested bodies and in light of public consultation and approved by the Council / Cabinet, as are other DCC policy documents and plans. These are reviewed regularly. Priorities in <i>Better Together</i> are included in the Medium-Term Financial Strategy.</p> <p>JSNA, Health and Wellbeing Strategy and Pharmaceutical Needs Assessment approved by Health and Wellbeing Board.</p> <p>Parts 5, 9 and 11 of Constitution refer to partnership working. Part 5 of the Constitution (Financial Regulations) lays down principles for financial management for partnership arrangements, joint ventures and pooled budgets. Part 9 of the Constitution identifies those joint arrangements with other Devon local authorities.</p> <p>Detailed post entry induction process designed for all Members after quadrennial elections, with ongoing training provided for Members over the life of the Council.</p> <p>DCC has twice secured Charter Plus accreditation through the Charter for Member Development developed by the IDeA and the Regional Employers Organisation.</p> |
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| <p><b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p> <p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p> | <p><b>Determining interventions</b></p> <p>Ensuring decision makers receive objective and rigorous analysis of options indicating how intended outcomes would be achieved and associated risks. Therefore, ensuring best value is achieved however services are provided.</p> <p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</p> <p><b>Planning interventions</b></p> <p>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.</p> <p>Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.</p> <p>Considering and monitoring risks facing each partner when working collaboratively, including shared risks.</p> <p>Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.</p> <p>Establishing appropriate key performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured.</p> <p>Ensuring capacity exists to generate the information required to review service quality regularly.</p> <p>Preparing budgets in accordance with objectives, strategies and the Medium-Term Financial Plan.</p> <p>Informing medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.</p> | <p>The County Council's Corporate Communications Strategy aims to provide a framework to ensure that the Council's work is supported by dynamic and two-way communications and brings the Council closer to the people of Devon (e.g. feedback, consultations, public participation).</p> <p>Article 12 (Part 2 of the Constitution) and the Budget and Policy Framework Rules provide that the Monitoring Officer and Chief Financial Officers have a duty to ensure lawfulness and fairness of decision making.</p> <p>A revised, streamlined, senior management organisational structure to better reflect the Council's approach to organisational change over the coming years, to respond to challenges facing it and position the Council to focus on its future strategic commissioning responsibilities as well as to be accountable for the delivery of the 'One Plan' process.</p> <p>The Engaging Devon Strategy brings together engagement activities across the Council to oversee, plan, and improve quality. Alongside a programme of engagement activity carried out by, for, or with the Council.</p> <p>In response to increased commissioning activity within the County Council, each Scrutiny Committee appointed a 'Commissioning Liaison Member'. The role of this Member is to work closely with the relevant Cabinet Members and Heads of Service, developing a fuller understanding of commissioning processes, and provide a link between Cabinet and Scrutiny on commissioning and commissioned services.</p> <p>Scrutiny Committees receive a list of all upcoming commissioning activity relevant to their Committee and have the opportunity to put forward any of these pieces of commissioning activity to be looked at in more detail at their next Scrutiny Committee meeting and/or through a Task Group investigation.</p> <p>Council contracts with external providers, with a value of more than £100,000 will include a clause requiring the provider to attend the Council's Scrutiny Committees and Cabinet at the reasonable request of the Council. In addition, the Council has also written to its most significant current service providers inviting a representative to attend future meetings of Scrutiny Committees at the request of Scrutiny Members, and to respond to questions on service delivery or performance.</p> |
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| <p><b>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</b></p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p> | <p><b>Developing the entity's capacity</b></p> <p>Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.</p> <p>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.</p> <p>Recognising the benefits of partnerships and collaborative working where added value can be achieved.</p> <p>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.</p> <p><b>Developing the capability of the entity's leadership and other individuals</b></p> <p>Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.</p> <p>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.</p> <p>Ensuring the leader and the Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.</p> <p>Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and</p> | <p>Part 3 of Constitution (endorsed by Procedures Committee), outlines the Council's approve scheme of delegation – to Members and Officers as amended – reflecting statutory provisions, periodically including changes consequent upon County Council assumption of Public Health responsibilities and transfer of NHS staff.</p> <p>Articles and Part 8 of the Constitution set out the roles and accountabilities of Officers and Members.</p> <p>Members Job Profiles are set out at Part 6 of the Constitution and were reviewed for incorporation in development of Members Personal Development Plans following the 2013 elections and the new cohort of Members.</p> <p>The County Council's <u>HR Policies</u>.</p> <p>Detailed Job Descriptions exist for all staff at all levels and for Members (Parts 6 of Constitution).</p> <p>While no formal protocol exists, in terms of the relationship between the Chief Executive and Leader the process effectively starts with appointment process.</p> <p>The Chief Executive's appraisal is undertaken by Group Leaders.</p> <p>Senior Management Structure and Leadership Team Charter revised in 2016 which continues to inspire conversations and actions around positive leadership behaviour.</p> <p>Articles and Part 8 of the Constitution set out the roles and accountabilities of Officers – specifically of statutory officers - and Members.</p> <p>Part 6 of Constitution contains Member/Officer Protocol, and other codes of personal conduct supplemented by Working Practices (Part 10 of Constitution) as endorsed by Procedures Committee.</p> <p>The Council has appointed an Appointments and Remuneration Committee to make recommendations to the Council on pay and remuneration of Chief Officers to ensure decisions on pay and rewards are taken in an accountable and transparent manner, and to review annually the Council's Pay Policy Statement as required by the Localism Act 2012.</p> <p>Ongoing training provided for Members over</p> |
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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <p>organisational requirements is available and encouraged.</p> <p>Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they can update their knowledge on a continuing basis.</p> <p>Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.</p> <p>Ensuring that there are structures in place to encourage public participation.</p> <p>Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</p> <p>Holding staff to account through regular performance reviews which take account of training or development needs.</p> <p>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</p>                                                                                                 | <p>life of Council and where required specific training provided to enable Members to serve on Committees (e.g. Audit, Development Management, Devon Pension Board).</p> <p>DCC Member Development Strategy being developed with Member Development Group alongside Members Personal Development Plans to identify areas where Members need training).</p> <p>DCC has twice secured Charter Plus accreditation through the Charter for Member Development developed by the IDeA and the Regional Employers Organisation in line with the Council's Member Development Policy.</p> <p>Regular monitoring reports to Council's Procedures Committee.</p> <p>External Assessment and Peer Group Reviews.</p> <p>Annual appraisals process for officers to identify training and development needs.</p>                                                                                                                                                                                                                                                                             |
| <p><b>F. Managing risks and performance through robust internal control and strong public financial management</b></p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision</p> | <p><b>Managing risk</b></p> <p>Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.</p> <p>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.</p> <p>Ensuring that responsibilities for managing individual risks are clearly allocated.</p> <p><b>Managing performance</b></p> <p>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.</p> <p>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.</p> <p>Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible.</p> <p>Providing members and senior</p> | <p>Scrutiny Committees receive regular performance monitoring reports in addition to their more general role to review implementation of the Council's policies and consider scope for change/new policy.</p> <p>Whistleblowing policy outlined in Part 5 of the Constitution – Code of Business Conduct.</p> <p>Policy Statement on Proper Conduct of Business Introduction contained in Part 5 of the Constitution (Code of Business Practice).</p> <p>Value for money and performance is reflected on the Council's Performance Plans and reviewed in particular through:</p> <ul style="list-style-type: none"> <li>• Organisation Performance Plan.</li> <li>• External Inspection &amp; Assessment</li> <li>• Annual Budget Consultations.</li> </ul> <p>Community Roadshows undertaken by the Leader of the Council since 2009, as part of a wider exercise by the County Council to consult and involve local people in helping to decide future priorities.</p> <p>Scrutiny function.</p> <p>Benchmark data.</p> <p>Financial systems, Internal and external audit</p> |



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| <p>making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p> | <p>management with regular reports on service delivery plans and on progress towards outcome achievement.</p> <p>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).</p> <p><b>Robust internal control</b></p> <p>Aligning the risk management strategy and policies on internal control with achieving objectives.</p> <p>Evaluating and monitoring risk management and internal control on a regular basis.</p> <p>Ensuring effective counter fraud and anti-corruption arrangements are in place.</p> <p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</p> <p>Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon.</p> <p><b>Managing data</b></p> <p>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</p> <p>Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</p> <p><b>Strong public financial management</b></p> <p>Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance.</p> <p>Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.</p> | <p>and external inspection and assessment.</p> <p>Regular review of Performance Indicators by Leadership Team and Scrutiny Committees.</p> <p>Article 7 (Part 2 of the Constitution and the Scrutiny Procedure Rule (Part 4 of the Constitution) sets out the principles and practices of the scrutiny process, supplemented by a protocol for relationships and communications between the Cabinet and Scrutiny Committees and the Council's Working Practices (Part 10 of the Constitution).</p> <p>Annual Scrutiny Report submitted to County Council.</p> <p>The Council has an Investment &amp; Pension Fund Committee delegated with responsibility to approve accounts of Devon Pension Fund.</p> <p>The Council has a Devon Pension Board which assists the Administering Authority/Scheme Manager in:</p> <ul style="list-style-type: none"> <li>(a) securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;</li> <li>(b) securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;</li> <li>(c) such other matters as the LGPS regulations may specify.</li> </ul> <p>An Audit Committee comprises members independent of the Cabinet and Scrutiny Committees. It is constituted in line with COPRA recommendations and training provided to members on relevant issues e.g. Risk. AGS, Code of Practice, Statement of Accounts.</p> |
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| <p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p> | <p><b>Implementing good practice in transparency</b></p> <p>Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</p> <p>Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</p> <p><b>Implementing good practices in reporting</b></p> <p>Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.</p> <p>Ensuring members and senior management own the results reported.</p> <p>Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the Annual Governance Statement).</p> <p>Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate.</p> <p>Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.</p> <p><b>Assurance and effective accountability</b></p> <p>Ensuring that recommendations for corrective action made by external audit are acted upon.</p> <p>Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.</p> <p>Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement.</p> <p>Ensuring that when working in partnership,</p> | <p>The Constitution set out the Council's rules and procedures for decision-making and the policy and budget frameworks, including the Cabinet and Scrutiny procedure rules, access to information and public participation rules.</p> <p>Following every quadrennial election, an induction process allows for the Monitoring Officer to provide training on the Council's Constitution and Ethical Framework.</p> <p>The Council has achieved Level III of the Equality Standard for Local Government and has signed up to the <a href="#">Devon Joint Declaration for Equality</a>.</p> <p>The Council's Fair-Trade status has been renewed for the 10th time.</p> <p>The County Council has achieved compliance with the International Standard on Information security (ISO27001) which defines a management system that provides robust policies and procedures that will help give assurances to the public and our partners that the information it holds will be kept secure.</p> <p>The outcomes of the two Ethical Governance surveys undertaken by Members and Senior Officers have been published by the Council's Standards Committee. A third survey is being planned.</p> <p>Staff Surveys have included appropriate questions to determine the views and opinions.</p> <p>Customer Feedback Policy and <a href="#">Complaints / Feedback</a> pages.</p> <p>All services are responsible for investigating and responding to complaints at Stage 1 and 2 of the complaints procedure. The responsibility for Stage 2 investigations is now with Business Strategy and Support – Customer Relations Manager. There is no longer a Stage 3 process.</p> <p>The Council has an exemplary record of inviting Peer Group Reviews of services and governance arrangements on a regular basis.</p> <p>The Standards Committee's independent, co-opted, members attend meetings of the Council, the Cabinet and other committees on an ad-hoc basis to observe and monitor compliance with the Council's ethical governance framework, in line with the agreed protocol.</p> <p>DCC Annual Risk Assessment was approved by the Audit Committee. The Audit Committee receives regular reports on application of Council's Risk Management Plan.</p> <p>Reports to Cabinet and Committees recognise need to consider risk management issues and</p> |
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|  | <p>arrangements for accountability are clear and the need for wider public accountability is recognised and met.</p> | <p>take appropriate action.</p> <p>Para C of Financial Regulations outlines requirements of Risk Management and Control of Resources.</p> <p>Principles for partnership working enshrined in Constitution (Part 11). In addition to the provisions of the Councils Code of Business Conduct &amp; Financial Regulation (Part 5 of the Constitution) a number of clearly defined agreements/protocols exist such as:</p> <ul style="list-style-type: none"> <li>• Devon Children, Young People and Families Plan.</li> <li>• Devon Children and Families Partnership</li> <li>• A Warm Response: Our Climate Change Challenge.</li> <li>• Voluntary Sector Compacts.</li> <li>• Protocol of Joint Appointments.</li> <li>• Devon Audit Partnership.</li> </ul> <p>Partnership working is integral to the Council's operations, both service specific and more general partnerships. Work is continuing to ensure effective governance, engagement and political leadership in such partnerships including accountability of staff who support these partnerships. For each partnership there will be a protocol which gives:</p> <ul style="list-style-type: none"> <li>▪ A clear statement of the partnership principles and objectives.</li> <li>▪ Clarity of each partner's role within the partnership.</li> <li>▪ Definition of roles of partnership board members.</li> <li>▪ Line management responsibilities for staff who support the partnership.</li> </ul> <p>The Compact for Devon is a practical agreement for improving relationships and working practices between organisations in the statutory sector and the voluntary &amp; community sectors, drawn up by the <i>Devon Hub</i>, comprising representatives of both sectors.</p> <p>A statement of funding sources for joint projects and clear accountability for proper financial administration.</p> <p><u>The Growth Support Programme</u> webpages set out the requirements for preparation of funding bids for businesses in the Heart of the South West region.</p> |
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CT/19/47  
Audit Committee  
21<sup>st</sup> May 2019

## **ANNUAL INTERNAL AUDIT REPORT 2018/19** **Report of the County Treasurer**

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

### Recommendations:

- i. That members note the internal audit opinion that the Council's systems contain a satisfactory level of internal control.
  - ii. That members note the satisfactory performance and achievements of Devon Audit Partnership during 2018/19.
  - iii. That the Council's continuing commitment to the maintenance and enhancement of an antifraud culture is endorsed.
- 
1. The key objective of Internal Audit is to provide assurance to Members, Executive Directors and the County Treasurer (as the Council's "section 151 responsible officer") on the adequacy and security of those systems on which the County Council relies for its internal control, both financial and management.
  2. One of the key elements of the County Council's governance arrangements is the Annual Governance Statement (AGS), signed by the Chief Executive and Leader of the Council. This is included in the Council's Annual Statement of Accounts. The assurance opinions derived from the work of Internal Audit are among the significant items that inform the AGS.
  3. The summary report available separately describes the performance of Devon Audit Partnership against the internal audit plans for 2018/19 that were approved by the Audit Committee in March 2018. That work, and the continuing contribution of Devon Audit Partnership to both risk management and anti-fraud arrangements within the Council, leads to an opinion that the Council has an effective framework of control which provides significant assurance regarding the effective, efficient and economic achievement of its objectives. The Committee can take assurance from these findings.

Mary Davis

Electoral Divisions: All  
Local Government Act 1972

List of Background Papers

Contact for Enquiries: Robert Hutchins  
Tel No: (01392) 385483      Larkbeare House

Background Paper Date File Ref  
Nil

There are no equality issues associated with this report.



Internal Audit

Annual Report 2018/19

Devon County Council  
Audit Committee

Page 27  
May 2019



Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

## Introduction

The Audit Committee, under its Terms of Reference contained in Devon County Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2018/19 was presented to and approved by the Audit Committee in March 2018. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2018/19 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

### Expectations of the Audit Committee from this annual report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see Appendix 4) and satisfy themselves from this assurance for signing the Annual Governance Statement.

**Robert Hutchins**  
**Head of Devon Audit Partnership**

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## Opinion Statement

**Overall, based on work performed during 2018/19 and our experience from previous years', the Head of Internal Audit's Opinion is of 'Substantial Assurance' on the adequacy and effectiveness of the Authority's internal control framework.**

*This opinion statement will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement see appendix 4.*

The internal audit plan for the current year included specific assurance, risk, governance and value-added reviews which, with prior years audit work, provide a framework and background within which we assess the Authority's control environment. These reviews have informed the Head of Internal Audit's Opinion on the internal control framework. Heads of Service have been provided with details of Internal Audit's opinion on each audit review carried out in 2018/19. Any significant weaknesses identified will need to be considered by the Authority in preparing its Annual Governance Statement for the Statement of Accounts for 2018/19.

In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address any control issues identified. Implementation of action plans rests with management and these are reviewed during subsequent audits or as part of a specific follow-up.

We have included a new Summary Assurance Opinions chart on page 3 which provides a "Themed" overview of the audit coverage. We have then RAG rated the audit areas covered to identify what our assurance is relative to the proposed plan at the beginning of the year.

### Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. debtors, creditors, payroll & Main Accounting) or generally in the reviews undertaken in respect of directorate systems. The Council's overall internal control framework operated effectively during the year. Where internal audit work has highlighted instances of none or part compliance, none are understood to have had a material impact on the Authority's affairs.

### Risk Management

Risk Management is utilised widely across the Council and monitored by officers and through members. Key risks are recorded in Risk Registers, allowing co-ordinated approach to minimise exposure and to ensure objectives are met. Devon Audit Partnership has taken a lead role in supporting and facilitating the process to further enhance and embed risk management.

### Governance Arrangements

Scrutiny Committees have sought audit assurance and are developing links with audit plans and progress reviews alongside their planned business. Governance arrangements are considered in audit of key areas including contracting and commissioning of services to ensure that the County Council's interests are protected.

### Performance Management

The strategy is key to the successful delivery of services and is established for 'business as usual' and transformation programmes. Reporting is made regularly to management, leadership and the Council should ensure effective management. This is of particular importance as the Council commissions and contracts new services.

|                              |                                                                                                                                                                                                                                                                                                             |                          |                                                                                                                                                                                                                                                                                                                                              |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Full Assurance</b>        | Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.                                      | <b>Limited Assurance</b> | Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed.                                                                                                                                  |
| <b>Substantial Assurance</b> | Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk. | <b>No Assurance</b>      | Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected. |

## Summary Assurance Opinions

|                                        |                                   |                                                     |                                            |                                                                      |                                                                    |                                                |                                                   |
|----------------------------------------|-----------------------------------|-----------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------|---------------------------------------------------|
| Page 30                                | Summary of key audit reviews      | Service Area Overview of Audit Coverage             |                                            |                                                                      |                                                                    |                                                | Opportunity / Value Added                         |
|                                        |                                   | Adult Care and Health                               | Children’s Services                        | Corporate, (Finance / HR/ Digital Transformation & Business Support) | Communities, Public Health, Environment & Prosperity (CoPHEP)      | Highways, Infrastructure Development and Waste |                                                   |
|                                        |                                   | Sensory Disability Team                             | Recruitment and Retention of Foster Carers | Health & Safety Governance Arrangements                              | Gypsies and Travellers                                             | Footway Maintenance                            | Early Help for Families Grant (Troubled Families) |
|                                        |                                   | Implementation of new Care Homes Fees Model         |                                            | Relocation Expenses                                                  |                                                                    |                                                |                                                   |
|                                        |                                   | Market Capacity                                     | Early Years Provision                      | Apprenticeship Levy                                                  | Channel & Prevent                                                  | Highways Infrastructure Plan                   | Grant Certification                               |
|                                        |                                   | Safeguarding                                        | Maintained Schools audit programme         | Cyber Non-Technical                                                  | Active Devon                                                       |                                                |                                                   |
|                                        |                                   | Living Well at Home (LWAH) Supply Chain and Finance |                                            | General Data Protection Regulation (GDPR)                            | Trading Standards - Compliant Allocation and investigation Process |                                                | HRMS Project - Procurement & Implementation       |
| Technology Enabled Care Support (TECS) |                                   |                                                     |                                            |                                                                      | New Payments Gateway                                               |                                                |                                                   |
| Core Assurance                         | Key Financial Systems -           |                                                     | Bank Reconciliation                        | Creditors, Debtors, Finest System Admin                              | Income Collection                                                  | Main Accounting System, Payroll                | Treasury Management                               |
|                                        |                                   |                                                     |                                            |                                                                      |                                                                    |                                                |                                                   |
|                                        | Governance & Business Processes - |                                                     |                                            |                                                                      |                                                                    |                                                |                                                   |
|                                        |                                   |                                                     |                                            |                                                                      |                                                                    |                                                |                                                   |
|                                        | ICT -                             | Scomis Contract Management                          | Adoption and Change Programme              | CareFirst (OLM)                                                      |                                                                    |                                                |                                                   |

Note: Assurance opinions are 'RAG' rated to support the overall assurance opinion for the year. The ratings are relevant at the time of the audit review and assurance may have improved since that time. Areas shaded blue denote opportunity or value-added work.

## Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can. We obtained feedback from those audited during the year who considered we were able to add value, e.g.:

*'points us in the direction for improvements in control and can also now discuss how other customers may have adapted procedures etc'.*

We believe internal audit activity can add value to the organisation and its stakeholders by:

- providing objective and relevant assurance;
- contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

We trust that Senior Management has found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

We consider our work has identified specific added value benefits in key areas and in mitigating key risks. For example: -

## Adult Care and Health

- providing objective and relevant assurance;
- assistance in maintaining appropriate engagement with the internal function through regular management liaison meetings;
- contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

## Children's Services

- development of the current year's and future years audit plans to incorporate flexibility to meet changing and developing business demands and to cover existing and new or emerging risks.

## Communities, Public Health, Environment and Prosperity

- development of the current year's and future years audit plans to incorporate flexibility to meet changing and developing business demands and to cover existing and new or emerging risks.

## Corporate Services

- ongoing involvement in HR / Payroll system development projects ensuring that control issues are highlighted and resolved before implementation;
- ongoing ad hoc advice provided to HR / Payroll relating to internal process controls, outside of system development projects;
- cyber security and assurance upon IT processes supporting the Council's key financial systems.
- continued involvement with the Tax Compliance Forum.

## Highways, Infrastructure Development and Waste

- providing objective and relevant assurance.

## Schools

The provision of internal audit's performance data provides a greater focus on schools causing concern in the wider control environment.

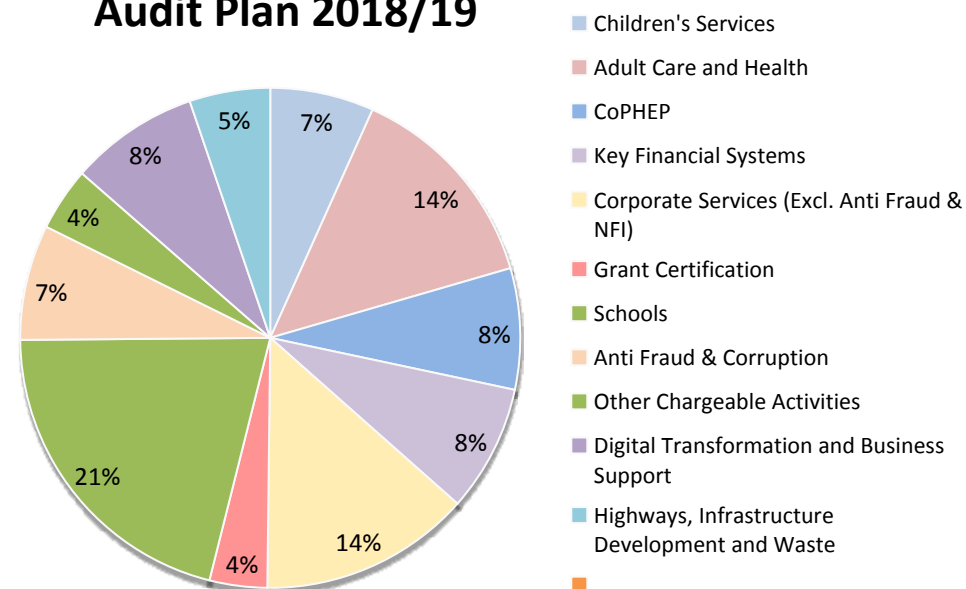
## Audit Coverage and performance against plan

The pie charts right show the breakdown of audit days planned by service area / type of audit support provided. The balance of work has varied slightly during the year as can be seen from comparison with the second chart, and variations have been with full agreement of the client.

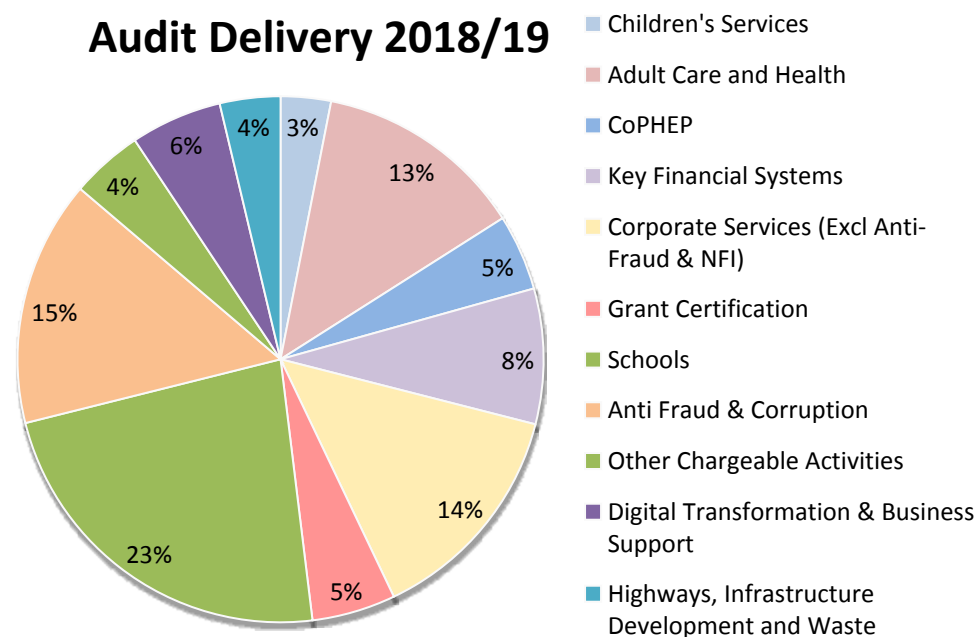
Appendix 1 to this report provides a summary of the audits undertaken during 2018/19, along with our assurance opinion. Where a 'high' or 'good' standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of 'improvement required' has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.

Appendix 6 shows the performance indicators for audit delivery in 2018/19 against the revised audit plan. When we prepare our plans we make an educated assessment of the number of days that an audit is likely to take. When the fieldwork is actually completed there is inevitably a variance from the planned days. In addition, we provide an allowance for work on areas such as fraud and corruption; in some years the requirement will exceed the planned budget and in others the need for our resource will be less than planned. It should also be noted that some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review.

### Audit Plan 2018/19



### Audit Delivery 2018/19



## Fraud Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability.

### Irregularities

During the 2018/19 financial year, Internal Audit have carried out, or assisted in twenty-six investigations. Analysis of the types of investigation and the number undertaken shows the following: -

| Issue                        | No of cases |
|------------------------------|-------------|
| Bribery & Corruption         | 1           |
| Employee Conduct             | 9           |
| Financial Irregularity       | 3           |
| Irregularity Advice          | 1           |
| IT Misuse                    | 1           |
| Theft / Loss of IT Equipment | 11          |

### National Fraud Initiative (NFI)

Work during 2018/19 involved coordinating the fair processing and data extracts of the various datasets required for the 2018/19 NFI exercise. Staff, local government pensioners and suppliers have been made aware of the exercise as required by statute with notices placed on payslips, in newsletters and upon the DCC website to inform people the exercise was taking place.

Data extracts complying to the specification required were completed in September and uploaded to the NFI website in October. In January 2019 the data matching reports were made available for review and investigation. Work has commenced reviewing the reports and will continue throughout 2019/20.

### Proactive anti-fraud work

Review was undertaken upon the entire 2017/18 Accounts Payable data using Excel and Idea. Twelve potential duplicate payments were identified for which we were not able to adequately identify as different payments based on the data in Finest or P2P (i.e. Invoice numbers and or amounts and invoice dates the same) and we could not identify any related credit on Finest.

Of the 12 potential duplicate payments identified: -

- 5 confirmed as duplicates for which corrective action is now taking place following identification by Audit (£5,439.00, £1,461.90, £563.20, £6,378.05 & £1,400.00); a total of £15,242.15.
- 3 confirmed as duplicates but corrective action had already taken place.
- 4 confirmed as not duplicates.

It should be noted that other duplicate payments were identified as being made during 2017/18 but these had already been identified and corrective action completed prior to being identified by audit.

Regarding our previous duplicate payments work undertaken during 2017/18 reviewing 2016/17 accounts payable data we can now confirm £43,534 of duplicate payments being recovered (£35,000 identified, recovered and reported in 2017/18 and a further £8,534 confirmed in 2018/19).

Review of a sample of Suppliers VAT Registration Numbers upon the April 2018 'Published Over £500 Payments' found invalid VAT numbers stored upon the authority's finance system against several current suppliers. These were referred to the VAT Officer who has confirmed that Finest entity records have been updated as appropriate.

## Appendix 1 - Summary of audit reports and findings for 2018/19


### Risk Assessment Key

LARR – Local Authority Risk Register score Impact x Likelihood = Total & Level  
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management  
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

### Direction of Travel Assurance Key

**Green** - action plan agreed with client for delivery over an appropriate timescale;  
**Amber** - agreement of action plan delayed or we are aware progress is hindered;  
**Red** - action plan not agreed or we are aware progress on key risks is not being made.  
 \* report recently issued, assurance progress is of managers feedback at debrief meeting.

### CORPORATE SERVICES

| Risk Area / Audit Entity                                                               | Audit Report                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |
|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|                                                                                        | Assurance opinion                                                          | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Direction of Travel Assurance                                                       |
| <b>Corporate Services - Finance</b>                                                    |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |
| Bank Reconciliation<br>(excluding County Fund Bank Account)<br><br>Risk / ANA - Medium | Good Standard<br>(excluding County Fund Bank Account)<br><br>Status: Final | As planned we undertook the Bank Reconciliation audit review at the end of 2018. The original scope was to look at all four bank accounts, but we were asked at the time not to look at the County Fund.<br><br>The review looked at three accounts General Payments (GP1), Salaries & Wages (S&W) and Pension Fund and found that procedures were working satisfactory.<br><br>Prior year recommendations were also reviewed as part of this audit and found to be satisfactorily implemented.                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |
| Bank Reconciliation<br>County Fund Bank Account<br>Risk / ANA - Medium                 | No assurance given                                                         | Our review of Bank Reconciliation undertaken at the end of 2018 originally included the County Fund but, due to planned changes to the system taking place we were requested at the time not to look at the County Fund.<br>We have been aware of implementation problems with the Payments Gateway and its links into the County Fund.<br><br>We are aware there have been significant challenges to reconcile the County Fund, the largest and key account for the Council; additional resources have been allocated to addressing these issues, process changes and system changes have been implemented and work is now near completion with a minor reconciliation balance remaining. Work is now ongoing with the supplier to rectify the root causes, and to upgrade software accordingly.<br><br>Failure to comply with Financial Regulations has occurred due to non-monthly reconciliation of the County Fund bank account. |                                                                                     |





## CORPORATE SERVICES

| Risk Area / Audit Entity                        | Audit Report                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                               |
|-------------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
|                                                 | Assurance opinion                     | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Direction of Travel Assurance |
|                                                 |                                       | This County Fund bank account audit will now be completed as a separate detailed review in the first quarter of the new financial year and reported at that time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                               |
| Business Rate Retention<br>Risk / ANA - Medium  | Status:<br>Ongoing                    | Work carried out to review the governance arrangements around the pool. Further work will be undertaken in 2019 to finalise this work.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                               |
| Creditors<br>Risk / ANA - Medium<br><br>Page 36 | Good<br>Standard<br><br>Status: Final | <p>As was the case in previous years, with the exception of low value payments relating to general claims and one-time creditors, we have no significant concerns in relation to the operation of key controls within the creditors system or the P2P system</p> <p>Amendments to the supplier / creditor entity masterfile are independently authorised, and can be completed by the Payments Team and also the Charging for Care Services team (CFCS)</p> <p>We cannot provide assurance that appropriate checks in terms of preventing potential duplicates or fraudulent bank detail changes on entities are made, as this control is not evidenced. A checklist was recommended in a previous report and this should be used by both Payments and CFCS in future.</p>                                                                                                                                       |                               |
| Debtors<br>Risk / ANA - Medium                  | Good<br>Standard<br>Status: Final     | <p>Overall, we found that Debtor processes are operating well within a reasonably sound control environment. There is reasonable access to the Corporate Debtors system (ASH), and an adequate level of segregation of duties, and authorisation being applied to key processes including the raising of invoices, credit notes and write offs.</p> <p>In review of a sample of outstanding debts, we found instances where there had been significant delay in agreeing and settling a payment with a debtor due to disputes. The Debt Management Group have discussed the possibility of benefits from establishing a more effective process for dealing with disputes. It was evident in review of another Local Authority, and in speaking with the Revenue and Payments Team, that some local authorities have implemented protocols for dealing with disputes over payment which may prove beneficial.</p> |                               |






CORPORATE SERVICES

| Risk Area / Audit Entity                         | Audit Report                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                       |
|--------------------------------------------------|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|                                                  | Assurance opinion                  | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Direction of Travel Assurance                                                         |
| Finest System Administration<br>Risk / ANA - Low | Good Standard<br><br>Status: Draft | Controls within the Finest system are designed to prevent unauthorised access, and detect errors, omissions or other inappropriate amendments. Some weaknesses do exist particularly in relation to segregation of duty within the Finest Support team, but the resultant risks have been accepted by management due to the business need and resource constraints.                                                                                                                                                                                                                                                                                                                                                                                                        |  * |
| Income Collection<br>Risk / ANA - Medium         | Status: Ongoing                    | Our fieldwork is substantially complete, and our draft report will follow soon.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                       |
| Main Accounting System<br>Risk / ANA - Medium    | Good Standard<br><br>Status: Draft | The main accounting system continues to be operated within a sound overall control environment.<br>Prior recommendations included the need for consistency across the directorates in relation to budget virements, independent authorisation of journals under £200k, and more timely clearance of suspense. A replacement system for virements remains delayed due to other more urgent pressures but continues to remain on the Finance Technology Team development list and will be completed as soon as practicable.<br>Risks regarding independent authorisation of journals under £200k remain and have been accepted. The clearing of suspense accounts remains a priority, particularly at year end and work continues to improve the timeliness of this process. |  * |
| Payments Gateway Project<br>Risk / ANA - Low     | Value Added<br><br>Status: Final   | The Payment Gateway went live in October 2018.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | N/A                                                                                   |
| Payroll<br>Risk / ANA - High                     | Status: Ongoing                    | Our fieldwork is substantially complete, and our draft report will follow soon.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                       |
| Tax Compliance Forum<br>Risk / ANA - Medium      | Value Added<br>Status: Final       | The Group discusses HMRC ‘hot topics’ and their implications on the authority and the impact of organisational and systems changes on tax compliance. No significant unmitigated risks have been identified to date.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | N/A                                                                                   |





## Corporate Services - Human Resources

11


CORPORATE SERVICES

| Risk Area / Audit Entity                                                       | Audit Report                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                       |
|--------------------------------------------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|                                                                                | Assurance opinion                      | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Direction of Travel Assurance                                                         |
|                                                                                |                                        | <ul style="list-style-type: none"> <li>Project documentation;</li> <li>Project risk management;</li> <li>System security;</li> <li>Data protection;</li> <li>Data migration;</li> <li>User Acceptance Testing;</li> <li>System processes and controls;</li> <li>Finance costings.</li> </ul> <p>Due to the volume and the issues arising during the testing phase that needed resolution and re-testing, the Project Board recently took the decision to delay the introduction of the new system originally intended to take place this coming June, a decision that Audit fully support. Auditors will continue to provide advice and assurance to the project team and project board as it moves towards the revised “Go Live” date in this coming autumn.</p> |                                                                                       |
| Health & Safety - Review of Governance Arrangements<br><br>Risk / ANA - Medium | Good Standard<br>Status: Draft         | The Health and Safety team have developed Health and Safety policies for DCC Services and Maintained Schools. These include processes for assessing health and safety risk (Risk Assessment policy and procedures) and for incident reporting. We are able to obtain reasonable assurance that these published policies and guidance comply with Health and Safety legislation.                                                                                                                                                                                                                                                                                                                                                                                   |   |
| Relocation Expenses<br>Risk / ANA - Medium                                     | Good Standard<br>Status: Final         | Assurance was reported in the November 2018 report, please refer to that report for details.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |
| <b>Digital Transformation and Business Support</b>                             |                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                       |
| Adoption and Change Programme<br><br>Risk / ANA - Medium                       | Improvements Required<br>Status: Final | Assurance was reported in the November 2018 report, please refer to that report for details.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |





## CORPORATE SERVICES

| Risk Area / Audit Entity                                          | Audit Report                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                       |
|-------------------------------------------------------------------|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|                                                                   | Assurance opinion                      | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Direction of Travel Assurance                                                         |
| CareFirst (OLM)<br>Risk / ANA - Critical                          | Improvements Required<br>Status: Final | Assurance was reported in the November 2018 report, please refer to that report for details.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |    |
| Scomis Contract Management<br>Risk / ANA - Medium                 | Improvements Required<br>Status: Final | Assurance was reported in the November 2018 report, please refer to that report for details.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |    |
| Cyber non-technical (Follow Up)<br>Risk / ANA - Medium            | Improvements Required<br>Status: Final | The audit is structured around three key areas, Policy Framework; Personal Accountability and Education and Awareness. It is pleasing to note that progress has been made within each of these areas. The Information Governance Manager and Information & Cyber Security Manager are continuing to progress completion of the cyber security framework. We understand that they have produced a data protection and cyber security plan, which will link to the Cyber Security Policy. We also understand that work continues to develop and publish a Cyber Security Website.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |    |
| General Data Protection Regulations (GDPR)<br>Risk / ANA - Medium | Improvements Required<br>Status: Final | <p>The authority has recently reviewed Data Protection Policy, and all associated policies to ensure these are compliant with GDPR (DPA 2018). The current policy remains in 'Draft' though it has been openly published and is available to all staff and members. We would encourage the Council to ensure that roles and responsibilities for Data Protection are clearly referenced within this policy and supporting policies as actions will be required by staff and other relevant 3rd parties, in order to comply with the GDPR requirements. This will include the ongoing management and review of information assets which include personal data.</p> <p>The Council has a central information asset register, though this record has not been subject to regular review since it was originally implemented in 2015/16. The Data Protection Officer is aware of this, however, GDPR requires organisations to demonstrate their compliance with data protection and the asset register is a key component of this. We recommend the council to develop more effective processes for recording and reviewing information assets.</p> <p>During discussions with the DPO it was evident that the Council do not currently have a process for identifying when a Privacy Impact Assessment / Data Protection Impact Assessment is required. The DPO has acknowledged that developing a screening</p> |  |


## CORPORATE SERVICES

| Risk Area / Audit Entity                                     | Audit Report                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |
|--------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|                                                              | Assurance opinion                                                 | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Direction of Travel Assurance                                                       |
|                                                              |                                                                   | process (as recommended by Information Commissioners Office) would be useful in order to identify where an assessment is required in future.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                     |
| <p>Scomis Resource Management</p> <p>Risk / ANA - Medium</p> | <p>Value Added</p> <p>Position Statement</p> <p>Status: Final</p> | <p>At present we can only provide a low level of assurance regarding the effectiveness of Resource Management by SCOMIS in attempting to manage the requirements of their clients.</p> <p>Current processes and arrangements do not provide management with effective tools to manage or demonstrate the effective allocation of resources.</p> <p>However, this issue is known to SCOMIS Management who are working to improve the management of their resources.</p> <p>It is acknowledged that there are changes being made that could have a positive impact, but it is too early to know if these changes will be effective in improving resource management.</p> <p>There are other organisations locally that face the same or similar issues. We would suggest discussing Resource Management issues with such organisations in order to identify good practice or common problems or even investigate avenues for acquiring a common solution. For example, a system could be commissioned and built on behalf and for multiple partner organisations.</p> |  |


## ADULT CARE AND HEALTH

| Risk Area / Audit Entity                                                                      | Audit Report                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                       |
|-----------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|                                                                                               | Assurance opinion                      | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Direction of Travel Assurance                                                         |
| Practice Quality Review<br>Risk / ANA - Low                                                   | Added Value<br>Status: Draft           | Assurance was reported in the November 2018 report, please refer to that report for details.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |    |
| Safeguarding<br>Risk / ANA - Medium                                                           | Added Value<br>Status: Final           | Assurance was reported in the November 2018 report, please refer to that report for details.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |    |
| Technology Enabled Care Support (TECS) - formerly Assistive Technology<br>Risk / ANA - Medium | Improvements Required<br>Status: Final | Assurance was reported in the November 2018 report, please refer to that report for details.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |    |
| Sensory Disability Team<br>Risk / ANA - Low                                                   | Good Standard<br>Status: Final         | <p>The work undertaken by the Sensory team is focused on an interaction with clients aimed at developing a quick and clear understanding of need, following up with the delivery of advice, support and training.</p> <p>A key advantage of the existing model is the operation a dedicated team with specific skills and experience in the areas where they are providing support. Based on the information reviewed, their experience and knowledge are considered to add value and deliver better outcomes more quickly and effectively than if the service was part of the wider DCC Social Care system. The core sensory provision includes rehabilitation, specialist equipment and mobility training as well as longer term support where there are more complex needs.</p> <p>Based on the cases reviewed, we conclude that the work undertaken by the Sensory team is actively improving the outcomes for clients by facilitating greater independence, whilst also reducing the longer-term demand on the Council's Social Care Service. The Sensory Team need to continue to work in partnership with other social care colleagues in order to provide the most effective delivery of services.</p> |  |

## ADULT CARE AND HEALTH


| Risk Area / Audit Entity                                                                            | Audit Report                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                     |
|-----------------------------------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|                                                                                                     | Assurance opinion                                 | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Direction of Travel Assurance                                                       |
| <p>Living Well at Home (LWAH) Supply Chain and Finance</p> <p>Risk / ANA - High, Client request</p> | <p>Improvements Required</p> <p>Status: Final</p> | <p><b>Contracts</b></p> <p>We determined that finalised, signed contracts were in place between the Commissioning Body and the two primary providers. The contracts are in a standard NHS format which appear comprehensive and fit for purpose.</p> <p>However, finalised, signed contracts were not always in place between one primary provider and its sub-contractors. Three were entirely missing and a fourth had to be sourced from the sub-contractor. Furthermore, the contract format was not comprehensive and did not contain specific references which the overarching contract required. Additionally, key terms within the main contract, such as pay and conditions for carers, were not present.</p> <p><b>‘Flow Down’ of Terms and Conditions</b></p> <p>We confirmed that primary providers and their sub-contractors had received annual uplifts to their hourly rates.</p> <p>The main contract also sets out requirements for the remuneration of carers. Although sub-contractors are only paid a fixed rate for contact time they are required to remunerate carers for downtime between visits and for travel time and expenses. However, we found that Primary providers had not been actively monitoring or enforcing these requirements and in most instances the remuneration packages offered by sub-contractors fell short of compliance.</p> <p><b>Geographical Coverage</b></p> <p>The LWAH Contract was intended to improve geographical coverage and make home care services available even in isolated hard to reach places. Primary providers were required to take steps to ensure growth and to stimulate the market. The reality is that there are still areas which are not adequately covered and where potential service users are unable to obtain the necessary care.</p> <p><b>Brokerage</b></p> <p>With the sourcing of care brokerage functions transferring from the County Council’s in-house teams to the primary providers, it was anticipated that significant savings and efficiencies would result.</p> |  |

## ADULT CARE AND HEALTH



| Risk Area / Audit Entity | Audit Report                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                       |
|--------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|                          | Assurance opinion                         | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Direction of Travel Assurance                                                         |
| <div>Page 44</div>       |                                           | <p>Following discussions with members of the County Council's brokerage teams it has been indicated that any savings that have been made in terms of the classical brokerage function of sourcing placements has been lost to what one officer described as a new sub culture of admin, built up largely by the need to act as liaison with the primary providers and their sub-contractors in what are often quite trivial matters, such as the need to approve minor variations as they occur.</p> <p>A second team indicated that whilst the new arrangements worked well at times, for the most part this was not the case and the anticipated efficiencies were not being realised.</p> <p><b>Key Performance Indicators (KPIs)</b><br/>Both primary providers actively collect KPI information from their sub-contractors. KPI information collected was not always complete, as we found sub-contractors did not always have systems in place that would allow them to produce the level of detail required for the KPI's, such as the % of workers who arrived on time.</p> <p><b>Payments to Primary Providers</b><br/>Through evidence obtained from the Commissioning Body finance team and through the results of our sample testing, we are aware of several overpayments including a recurring payment that went on for 15 months. Such errors have been caused by several factors including communication failures within the Commissioning Body and by repeated failures to identify and report the overpayments through reconciliation processes.</p> |                                                                                       |
|                          | <p>Good Standard</p> <p>Status: Final</p> | <p>DCC subscribes to the bed vacancy tool 'Capacity Tracker', a national database generated by the Care Quality Commission (CQC) listing all registered care home providers in the country for adults of all ages and the vacancies within their homes. The tool has certain limitations and Brokerage undertake data manipulation to get the outputs needed. However, 'Capacity Tracker' provides a significantly improved visibility on bed vacancies for operational staff and the use of it will be extended to include 'Under 65' care provision as part of Phase Two of the new Care Home Fee Model implementation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |  |




## ADULT CARE AND HEALTH

| Risk Area / Audit Entity               | Audit Report                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                      |
|----------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|                                        | Assurance opinion                 | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Direction of Travel Assurance                                                        |
|                                        |                                   | The new fees model moves away from a 'banded' rate to a 'personalised hours' model. The number of care hours is personalised to each individual based on an assessment of their care needs against the principles of the Care Act. The new fee model does therefore provide greater flexibility to enable a more person-centred package of care but as stated previously the new model has seen an increase in the average cost per client.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                      |
| Market Capacity<br>Risk / ANA - Medium | Good<br>Standard<br>Status: Draft | <p>The Care Act statutory guidance states that 'high quality, personalised Care and Support can only be achieved where there is a vibrant, responsive market of services available'. The Local Authority role in developing the market is seen as critical and Section 5 of the Care Act sets out duties on local authorities to facilitate a diverse, sustainable high-quality market for their whole local population, including those who pay for their own care and to promote efficient and effective operation of the adult care and support market as a whole.</p> <p>The Institute of Public Care (IPC), through Oxford Brookes University (OB) undertook a review of market position statements across the Country in January 2019 and have produced a report on their findings, together with updated MPS best practice guidance for local authorities.</p> <p>The IPC MPS review identified two key issues:</p> <ol style="list-style-type: none"> <li>1) The length of time it takes for MPS to be drafted, approved and published;</li> <li>2) MPS not being subject to regular review and have recommended this be done annually.</li> </ol> <p>A New Market Position Statement for Devon (MPS) is in the process of being drafted with CCG partners to deliver the most integrated and best possible health and social care services for the citizens of Devon, which focus upon preventing the escalation of need by delivering timely intervention and promote health and well-being. It will replace the previous MPS produced in 2015. It is due to go to Health and Adult Social Care Scrutiny Committee in June 2019.</p> |  |

| ADULT CARE AND HEALTH                               |                   |                                                                                          |                               |
|-----------------------------------------------------|-------------------|------------------------------------------------------------------------------------------|-------------------------------|
| Risk Area / Audit Entity                            | Audit Report      |                                                                                          |                               |
|                                                     | Assurance opinion | Residual Risk / Audit Comment                                                            | Direction of Travel Assurance |
| Disability Transformation Plan<br>Risk / ANA - High | Status: Ongoing   | Testing will be undertaken, and a report issued during Q1 of the 2019/20 financial year. |                               |
| Continuing Health Care (CHC)<br>Risk / ANA - Medium | Status: Ongoing   | Testing will be completed, and a report issued during Q1 of the 2019/20 financial year.  |                               |
| Direct Payments<br>Risk / ANA - Medium              | Status: Ongoing   | Testing will be completed, and a report issued during Q1 of the 2019/20 financial year.  |                               |

| CHILDREN'S SERVICES                                               |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                       |
|-------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Risk Area / Audit Entity                                          | Audit Report                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                       |
|                                                                   | Assurance opinion              | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Direction of Travel Assurance                                                         |
| Recruitment and Retention of Foster Carers<br>Risk / ANA - Medium | Added Value<br>Status: Final   | Assurance was reported in the November 2018 report, please refer to that report for details.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |   |
| Early Years 30 Hour Childcare Provision<br>Risk / ANA - High      | High Standard<br>Status: Draft | <p>The audit did not identify any issues in relation to DCC's capacity to fulfil the statutory 30-hour nursery provision for three and four-year olds, nor in relation to the funding and payments to providers, enabling a high level of assurance to be given. A good control framework is in place as well as a support network for providers and parents. These include: -</p> <ul style="list-style-type: none"> <li>• consultation meetings with providers;</li> <li>• locality teams support network, e.g. business modelling and training and support to management committees and providers;</li> <li>• weekly funding helpdesk for providers;</li> <li>• good relationships between the locality teams and the local councillors where any local issues are managed and resolved;</li> </ul> |  |



## CHILDREN'S SERVICES

| Risk Area / Audit Entity                                                                                                                                                                                  | Audit Report                     |                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|                                                                                                                                                                                                           | Assurance opinion                | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                 | Direction of Travel Assurance                                                         |
|                                                                                                                                                                                                           |                                  | <ul style="list-style-type: none"> <li>complaints protocol set up for parents through the Family Information Service, who are actively encouraged to use and provide feedback;</li> <li>ongoing performance management monitoring, and production of an annual early years sufficiency report;</li> <li>provider portal for providers to submit headcount data;</li> <li>robust internal reconciliation processes.</li> </ul> |                                                                                       |
| Fostering Service<br>Risk / ANA - Medium                                                                                                                                                                  | Status:<br>Ongoing               | The Audit Brief / Terms of Reference and a large amount of preparatory work undertaken to support the review was agreed and issued in March 2019. It was agreed the review would commence in April 2019 with the subsequent report written and issued within Q1 of 2019/20 financial year.                                                                                                                                    |                                                                                       |
| Care Leavers<br>Risk / ANA - High                                                                                                                                                                         | Status:<br>Ongoing               | The Audit Brief / Terms of Reference was agreed and issued in March 2019. It was agreed the review would commence in April 2019 with the subsequent report written and issued within Q1 of 2019/20 financial year.                                                                                                                                                                                                            |                                                                                       |
| Early Help for Families Grant (Troubled Families)                                                                                                                                                         | Certified<br>Status:<br>Complete | DAP have verified and certified ten claims during this financial year.                                                                                                                                                                                                                                                                                                                                                        | N/A                                                                                   |
| Schools Financial Value Standard (SFVS)                                                                                                                                                                   | N/A                              | The SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2017/18 was submitted to the Education Skills Funding Agency in May 2018. A similar process is underway for submission of the 2018/19 assurance statement by 31 <sup>st</sup> May 2019.                                                                                                                                                         |                                                                                       |
| Maintained Schools audit programme                                                                                                                                                                        | Good<br>Standard                 | The overall opinion for routine school audit visits has been maintained as 'good standard' (refer to summary data below). The provision of internal audit's performance data provides a greater focus on schools causing concern in the wider control environment.                                                                                                                                                            |  |
| <b>Maintained Schools Summary Data</b>                                                                                                                                                                    |                                  |                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>Assurance Opinion</b>                                                              |
| <b>The key matters arising from the audits are:</b> <ul style="list-style-type: none"> <li>the maintenance of the Single Central Record;</li> <li>understanding of Off Payroll Working (IR35);</li> </ul> |                                  |                                                                                                                                                                                                                                                                                                                                                                                                                               | Good<br>Standard                                                                      |



## CHILDREN'S SERVICES



| Risk Area / Audit Entity | Audit Report      |                                                                                                                                                                                                                                   |                               |
|--------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
|                          | Assurance opinion | Residual Risk / Audit Comment                                                                                                                                                                                                     | Direction of Travel Assurance |
|                          |                   | <ul style="list-style-type: none"> <li>issues around the inventory still not being an effective record in several schools (confirmed by SFVS responses);</li> <li>Business Continuity Plans not being kept up to date.</li> </ul> |                               |

## COMMUNITIES, PUBLIC HEALTH, ENVIRONMENT AND PROSPERITY

| Risk Area / Audit Entity                      | Audit Report                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                       |
|-----------------------------------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|                                               | Assurance opinion                 | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Direction of Travel Assurance                                                         |
| Gypsies and Travellers<br>Risk / ANA - Medium | Good<br>Standard<br>Status: Final | The Head of Communities and the Gypsies and Traveller Liaison Officer (GTLO) clearly know where they are in relation to the gypsies and traveller service and have a shared vision as to what developments are needed to get the service where it needs to be to be fit for purpose moving forward. A project action plan for 2018/19 has been developed which gives clear actions needed to be able to achieve this, although one observation is that there are a lot of actions within the project plan, and the challenge is delivery of it with their only being one key officer. |  |
| Channel & Prevent<br>Risk / ANA - Medium      | Good<br>Standard<br>Status: Final | The Head of Communities, The Chair of the Prevent Board for Devon and the multi-agency partners who sit on the Prevent Board clearly know where they are in relation to fulfilment of the Prevent Duty and have a shared vision as to what actions are needed to ensure that they are fully compliant moving forward. A Prevent Delivery Plan (PDP) for 2018/19 has been developed which gives clear actions needed to be able to achieve this and aligns with the findings and recommendations of the Counter Terrorism Local Plan (CTLTP).                                          |  |

## COMMUNITIES, PUBLIC HEALTH, ENVIRONMENT AND PROSPERITY

| Risk Area / Audit Entity                                                                  | Audit Report                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                       |
|-------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|                                                                                           | Assurance opinion                 | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Direction of Travel Assurance                                                         |
| Page 49                                                                                   |                                   | <p>The PDP already recognises areas for action, around Prevent problem solving, training, venue hire, speaker and IT policies, engagement with communities, and communication. Safer Devon Partnership through the Prevent Board have set up a series of Task and Finishing Groups to work on these areas and come up with strategies for moving forward. The audit review has confirmed and supports the judgements made. It was clear from review of the minutes of the Prevent Board that they are being pro-active in implementing the actions and there is ongoing monitoring of the action plan by the multi-agency Board.</p> <p>The audit sought to provide assurance on whether DCC was meeting its statutory Prevent Duty, and that the Channel Panel and process was robust, effective, and fulfilling its objectives. The audit has confirmed that overall DCC is meeting its statutory duty and is using the Home Office's Prevent toolkit to achieve this, and this is reflected in the level of assurance given overall. Where there are areas for improvement they have mostly been identified as actions within the PDP. Where this is the case, any associated recommendations have not been included in this report as it is felt that this would not add any value to the audit.</p> <p>Recommendations have been made, where it was felt that further improvements / enhancements could be made, or where it was felt there were potential gaps in the delivery plan.</p> |                                                                                       |
| Active Devon<br>Risk / ANA - Low                                                          | Good<br>Standard<br>Status: Final | Assurance was reported in the November 2018 report. Please refer to that report for details.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |
| Trading Standards - Complaint<br>Allocation and Investigation Process<br>Risk / ANA – Low | Good<br>Standard<br>Status: Final | Assurance was reported in the November 2018 report. Please refer to that report for details.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |
| Trading Standards<br>Risk / ANA - Medium                                                  | Status:<br>Ongoing                | The Audit Brief / Terms of Reference was agreed and issued to the client in March 2019. It was agreed the review would commence in April 2019 with the subsequent report written and issued within Q1 of 2019/20 financial year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                       |

| HIGHWAYS, INFRASTRUCTURE DEVELOPMENT AND WASTE                                                       |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                    |
|------------------------------------------------------------------------------------------------------|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Risk Area / Audit Entity                                                                             | Audit Report                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                    |
|                                                                                                      | Assurance opinion                                 | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Direction of Travel Assurance                                                                      |
| <div>Footway Maintenance</div> <div>Risk /. ANA - Medium</div> <div>Page 50</div>                    | <div>Good Standard</div> <div>Status: Draft</div> | <div>Identifying the footways to determine the annual maintenance programme by strongly focusing on defects data, in line with the Defects Policy, means other schemes not meeting the Defects Policy are not identified. This is especially relevant for categorised F3 and F4 footways in the footway hierarchy laid down in the Code of Practice. The maintenance programme should be informed by all intelligence available and should not be driven only by the data.</div> <div>Application of a strategic risk-based approach when determining the maintenance programmes is required moving forward (not just for footways). This would bring the determination of the maintenance programme more in line with the Code of Practice, which is primarily the adoption of a risk-based approach. Risk factors and scoring would need to be agreed and should not just include defects data</div> <div>A clearly documented strategy is required in relation to maintenance of F3 &amp; F4 footways. This would include having a structured and formalised process in place for neighbourhood teams to bring evidence-based schemes forward for consideration. It was confirmed during the audit that there are proposals to develop a template form for neighbourhood teams to complete to propose schemes to be put forward for the maintenance / repair programme and backed up by photographic evidence. A similar process could also be introduced for the reactive team to put forward proposals following Skanska inspections.</div> | <div>  * </div> |
| <div>Highways Infrastructure Asset Management Strategy and Plan</div> <div>Risk / ANA - Medium</div> | <div>Good Standard</div> <div>Status: Final</div> | <div> <u>Risk Management</u> <div>The service has implemented a risk management process, including the use of a shared risk register with their current maintenance contractor. This is being reported to the Highways Board on a regular basis. However, we recommended that the service should ensure that risk is correctly articulated (based upon standard definitions of risk) and that any mitigations supporting these risks are clearly listed (SMART).</div> </div> <div> <u>Performance Management</u> </div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <div>  </div> |

## HIGHWAYS, INFRASTRUCTURE DEVELOPMENT AND WASTE

| Risk Area / Audit Entity | Audit Report                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                               |
|--------------------------|--------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
|                          | Assurance opinion                                                        | Residual Risk / Audit Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Direction of Travel Assurance |
| Page 51                  |                                                                          | <p>Currently there is a high proportion of agreed levels of service with no defined measures. In going forward, there should be consideration to review these and where applicable, determine means of measurement which are appropriate.</p> <p>In discussion with Lead Officers, it may be beneficial to provide further information to support the performance level results when they are reported to members on an annual basis.</p> <p><u>Senior Management &amp; Leadership</u><br/>Under the revised code of practice, it is important that both Senior Managers and Members have a good understanding of decisions being made by the service, particularly where any decisions/actions required are risk based.</p> <p>The principles of asset management approach are likely to be understood by members, though both Senior Management and members may want to gain assurance that the current Highway Infrastructure Asset Management Plan is operating effectively in delivering a more efficient and effective approach to management of highway infrastructure assets through longer term planning.</p> |                               |
|                          | <p>Okehampton School &amp; Charlton Lodge</p> <p>Risk / ANA - Medium</p> | <p>Added Value Status:<br/>Draft / Interim</p> <p>The County Council work with NPS in the development and delivery of projects across the whole Council's estate with NPS appointed to deliver the new Okehampton School and the conversion of Charlton Lodge as part of the Education Infrastructure Plan 2016-2033.</p> <p>NPS follow the RIBA plan of work for development and delivery of a project with gateways being signed off as part of the process. NPS are responsible for designing the 'build' in line within the available budget as determined by the Council and the overall management of the project through to the handover to the school. As the estimated value of the construction exceeded £1m, the Southern Construction Framework was used to appoint the main construction phase contractor.</p> <p>On both projects, contractors submitted prices around £1m over budgeted construction costs. This resulted in detailed value engineering exercises being undertaken where contractors worked with NPS to reduce costs and designs being altered to meet the</p>                          | N/A                           |

## HIGHWAYS, INFRASTRUCTURE DEVELOPMENT AND WASTE

| Risk Area / Audit Entity                   | Audit Report       |                                                                                                                                       |                               |
|--------------------------------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
|                                            | Assurance opinion  | Residual Risk / Audit Comment                                                                                                         | Direction of Travel Assurance |
|                                            |                    | available budgets. The time taken to appoint the contractors caused significant delays to the construction phase of the two projects. |                               |
| Infrastructure<br>Risk / ANA - Critical    | Status:<br>Ongoing | Testing will be completed, and a report issued during Q1 of the 2019/20 financial year.                                               |                               |
| Highways Contract<br>Risk / ANA - Critical | Status:<br>Ongoing | Testing will be completed, and a report issued during Q1 of the 2019/20 financial year.                                               |                               |



## Appendix 2 - Professional Standards and Customer Service

### Conformance with Public Sector Internal Audit Standards (PSIAS)

**Conformance** - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2017. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

**Quality Assessment** - through external assessment December 2016 "DAP is considered to be operating in conformance with the standards". External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

**Improvement Programme** - DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated and a status report was reported to the Management Board in October 2016.

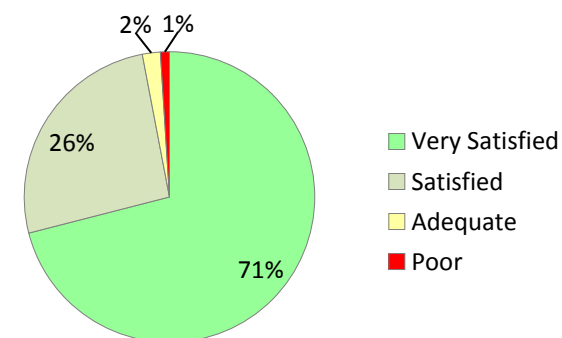
### Performance Indicators

Overall, performance against the indicators has been very good with improvements made on the previous year (see Appendix 6). We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We continue to review where performance in this area can be improved.

### Customer Service Excellence

In June 2017, DAP was successful in re-accreditation by G4S Assessment Services of the CSE. We continue to issue client survey forms with our final reports and the results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with 97% being "satisfied" or better across our services, see appendix 7. 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.

### Analysis of Customer Survey Results 2018/19



## Appendix 3 – Audit Authority

Page 54



## Appendix 4 - Annual Governance Framework Assurance

***The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.***

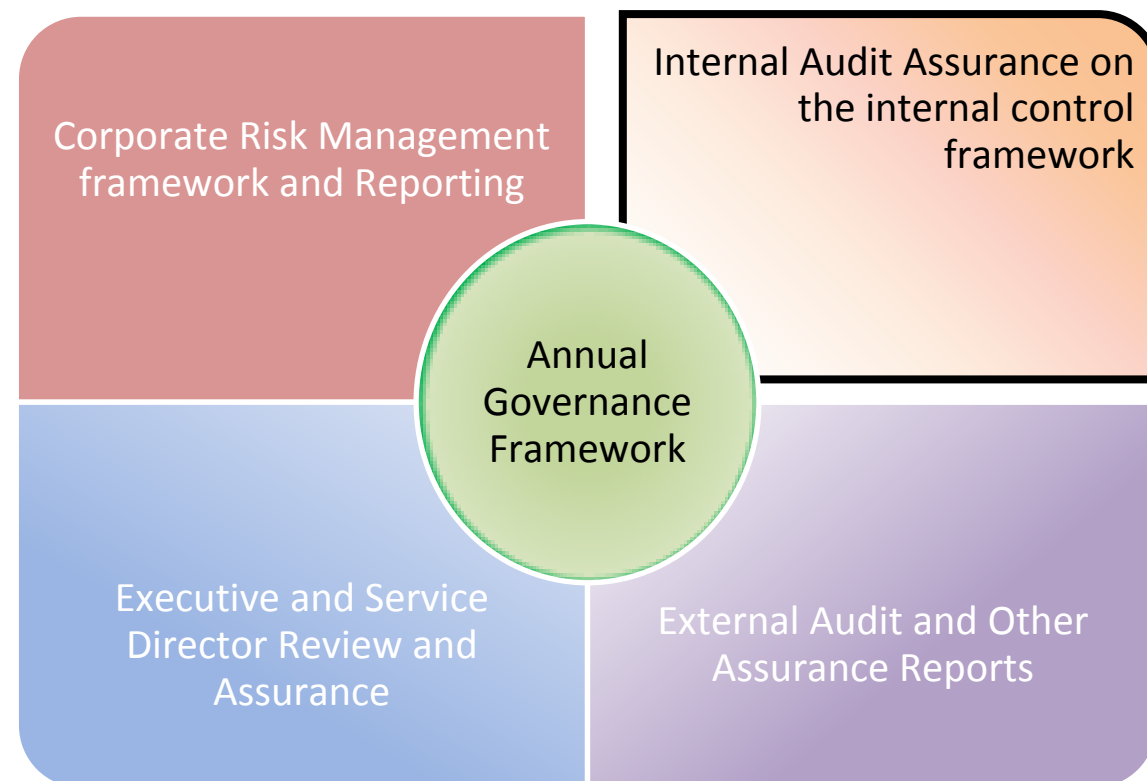
The Annual Governance Statement provides assurance that

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should: -

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
  - The Authority;
  - Audit Committee;
  - Risk Management;
  - Internal Audit;
  - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

## Appendix 5 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- Page 55
- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
  - a comparison of internal audit activity during the year with that planned;
  - a summary of the results of audit activity and;
  - a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to audit plans has not been notable this year as in some previous financial years. Whilst certain changes have been made from the plans originally agreed this has been due to changes in operational business needs.

Levels of sickness amongst staff within the team has unfortunately meant certain reviews have been deferred into future years audit plans.

The scope of our audit work this year has not been adversely affected by investigatory works required to be undertaken and does not reduce the level of assurance able to be offered.

In assessing the level of assurance to be given the following have been taken into account:

all audits completed during 2018/19, including those audits carried forward from 2017/18;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Council's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

any limitations that may have been placed on the scope of internal audit.

## Appendix 6 - Performance Indicators

There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor the following Local Performance Indicators (LPis): -

| <b>Local Performance Indicator (LPI)</b>                                    | <b>2016/17</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2018/19</b> |
|-----------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                                                             | <b>Target</b>  | <b>Actual</b>  | <b>Target</b>  | <b>Actual</b>  | <b>Target</b>  | <b>Actual</b>  |
| Percentage of Audit Plan Commenced (Inc. Schools)                           | 100%           | 99%            | 100%           | 100%           | 100%           | 100%           |
| Percentage of Audit Plan Completed (Inc. Schools)                           | 93%            | 96%            | 93%            | 91%            | 93%            | 94%            |
| Actual Audit Days as percentage of planned (Inc. Schools)                   | 95%            | 113%           | 95%            | 99%            | 95%            | 94%            |
| Percentage of fundamental / material systems reviewed annually              | 100%           | 100%           | 100%           | 100%           | 100%           | 100%           |
| Percentage of chargeable time                                               | 65%            | 70%            | 65%            | 71%            | 65%            | 66%*           |
| Customer Satisfaction - % satisfied or very satisfied as per feedback forms | 90%            | 98%            | 90%            | 98%            | 90%            | 97%            |
| Draft Reports produced within target number of days (currently 15 days)     | 90%            | 85%            | 90%            | 89%            | 90%            | 89%            |
| Final Reports produced within target number of days (currently 10 days)     | 90%            | 100%           | 90%            | 97%            | 90%            | 100%           |
| Average level of sickness absence (DAP as a whole)                          | 2%             | 3.2%           | 2%             | 4%             | 2%             | 3%**           |
| Percentage of staff turnover (DAP as a whole)                               | 5%             | 21%            | 5%             | 11%            | 5%             | 4%***          |
| Out-turn within budget                                                      | Yes            | Yes            | Yes            | Yes            | Yes            | Yes            |

\*% of Chargeable Time affected by three maternity leaves

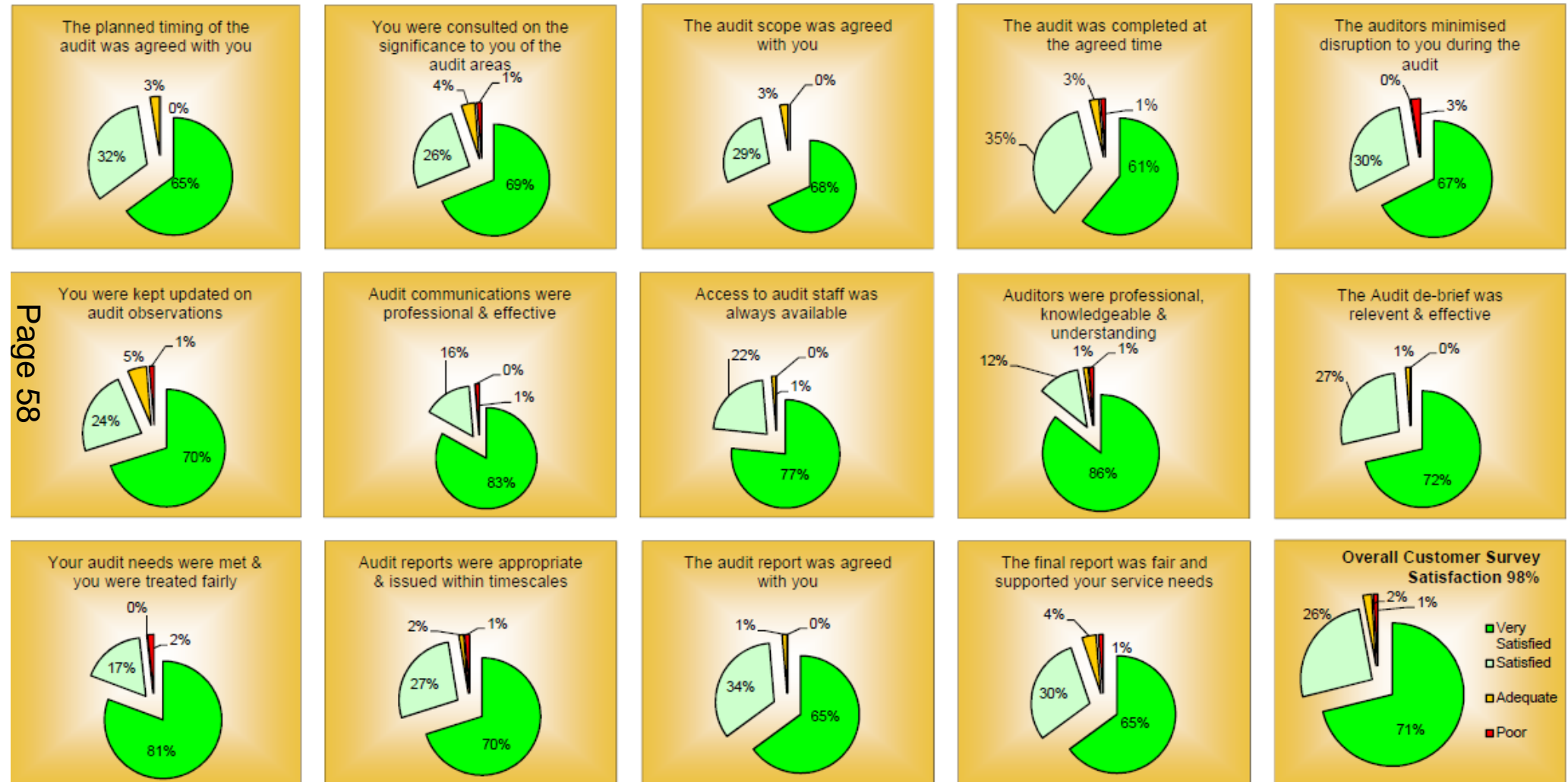
\*\*Sickness relates to DAP overall and varies at the different DAP locations

\*\*\*Staff Turnover relates to one leaver

## Appendix 7 - Customer Service Excellence

### Customer Survey Results April 2018 - March 2019

Summary of 77 responses received.



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| Devon Audit Partnership                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Confidentiality and Disclosure Clause                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Devon Audit Partnership has been formed under a joint committee arrangement. 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 <a href="mailto:robert.hutchins@devonaudit.gov.uk">robert.hutchins@devonaudit.gov.uk</a>.</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> |





## INTERNAL AUDIT STRATEGY FOR 2019/20

### Report of the County Treasurer

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

**Recommendation:** that the Committee agrees the Internal Audit Strategy for the year 2019/20.

1. One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the Chief Internal Auditor (for Devon County Council this is Head of Devon Audit Partnership) produces an Audit Strategy each year, which:
  - is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
  - will communicate the contribution that Internal Audit makes to the organisation and should include:
    - internal audit objectives and outcomes;
    - how the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
    - how Internal Audit's work will identify and address significant local and national issues and risks;
    - how the service will be provided, and
    - the resources and skills required to deliver the Strategy.
    - should be approved, but not directed, by the Audit Committee.
2. This Strategy (available as a separate paper) addresses these requirements. The Strategy complies with the mandatory requirements of the Public Sector Internal Audit Standards.
3. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon County Council, Plymouth City, Mid-Devon, Torbay and Torridge Councils in accordance with the agreed internal audit plan.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for Enquiries:

Robert Hutchins Tel No: (01392) 385843     Dart Suite, Larkbeare House, Topsham Rd, Exeter.

Background Paper: None



## **DEVON COUNTY COUNCIL**

### **INTERNAL AUDIT STRATEGY (March 2019)**

#### **1 INTRODUCTION**

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the County Treasurer is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The PSIAS refers to the role of Chief Internal Auditor, and requires this officer to ensure and deliver a number of key elements to support the internal audit arrangements. For The Council, the role of Chief Internal Auditor is provided by the Head of Devon Audit Partnership.

The PSIAS require the Head of Devon Audit Partnership to produce an Audit Strategy, which:

- is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- will communicate the contribution that Internal Audit makes to the organisation and should include:
  - internal audit objectives and outcomes;
  - how the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
  - how Internal Audit's work will identify and address significant local and national issues and risks;
  - how the service will be provided, and
  - the resources and skills required to deliver the Strategy.
- should be approved, but not directed, by the Audit Committee.

The Strategy should be kept up to date with the organisation and its changing priorities.

## **2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES**

The primary objective of Internal Audit is to provide an independent and objective opinion to the Council on the governance, risk and control framework by evaluating its effectiveness in achieving the organisation's objectives through examining, evaluating and reporting on their adequacy as a contribution to the proper, economic, efficient use of resources.

To achieve this primary objective, the Head of Devon Audit Partnership aims to fulfil the statutory responsibilities for Internal Audit by:

- identifying all of the systems, both financial and non-financial, that form the Council's control environment and governance framework, and contribute to it meeting its obligations and objectives – the 'Audit Universe';
- creating an audit plan providing audit coverage on the higher risk areas in the Audit Universe;
- undertaking individual audit reviews, to the standards set by the PSIAS, to independently evaluate the effectiveness of internal control;
- providing managers with an opinion on, and recommendations to improve, the effectiveness of risk management, control and governance processes;
- providing managers with advice and consultancy on risk management, control and governance processes;
- liaising with the Council's external auditors to ensure efficient use of scarce audit resources through the avoidance of duplication wherever possible; and
- providing the Council, through the Audit Committee, with an opinion on governance, risk and control framework as a contribution to the Annual Governance Statement.

## **3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK**

As stated above, one of the key objectives of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks are to be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings should also be held to discuss issues arising and other matters.

The Head of Devon Audit Partnership will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee.

The Head of Devon Audit Partnership will also provide a written annual report to the Audit Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee will:

- (a) include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- (b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- (d) draw attention to any issues the Head of Devon Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement;
- (e) compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and

- (f) comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

#### **4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS**

The audit planning process includes the creation of and ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

##### *Assignment planning*

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

#### **5 PROVISION OF INTERNAL AUDIT**

The Internal Audit for The Council is provided by Devon Audit Partnership

The Head of Devon Audit Partnership has established policies and procedures in an Audit Manual to guide staff in performing their duties and complying with the latest available PSIAS guidance. The manual is reviewed and updated to reflect changes in working practices and standards.

##### **Internal Audit Performance Management and Quality Assurance**

The PSIAS state that the Head of Devon Audit Partnership should have in place an internal performance management and quality assurance framework; this framework must include:

- a comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- seeking *user feedback* for each individual audit and periodically for the whole service;
- a periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment); and
- an action plan to implement improvements.

##### *Performance Measures and targets*

The Head of Devon Audit Partnership will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see over).

## Internal Audit Performance Monitoring Targets.

| <b>Performance Indicator</b>                                                | <b>Full year target</b> |
|-----------------------------------------------------------------------------|-------------------------|
| Percentage of Audit Plan completed                                          | 93%                     |
| Customer Satisfaction - % satisfied or very satisfied as per feedback forms | 90%                     |
| Draft reports produced with target number of days (currently 15 days)       | 90%                     |
| Final reports produced within target number of days (currently 10 days)     | 90%                     |

There are a number of other indicators that are measured as part of the audit process that will be captured and reported to senior management.

| <b>Task</b>                                                              | <b>Performance measure</b>                                                                                                                                                                               |
|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Agreement of Annual audit plan                                           | Agreed by Chief Executive, CLT and Audit Committee prior to start of financial year.                                                                                                                     |
| Agreement of assignment brief                                            | Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.                                                                                           |
| Undertake audit fieldwork                                                | Fieldwork commenced at agreed time.                                                                                                                                                                      |
| Verbal debrief                                                           | Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.                                                                                  |
| Draft report                                                             | Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.                                                                        |
| Draft report meeting (if required)                                       | Such a meeting was useful in understanding the audit issues.                                                                                                                                             |
| Annual internal audit report                                             | Prepared promptly and ready for senior management consideration by end of May.<br>Report accurately reflects the key issues identified during the year.                                                  |
| Presentation of internal audit report to management and audit committee. | Presentation was clear and concise.<br>Presented was knowledgeable in subject area and able to answer questions posed by management / members.                                                           |
| Contact with the audit team outside of assignment work.                  | You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person.<br>Emails, letters, telephone calls are dealt with promptly and effectively. |

Once collated the indicators will be reported to the S.151 Officer on a regular basis, and will be summarised in an annual report. Performance indicator information will also be presented to the Audit Committee for information and consideration.

The Head of Devon Audit Partnership is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

### *Customer (user) feedback*

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the Internal Audit service as a whole.

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from:-

- auditees;
- senior leadership; and
- executive management.

The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

### *Internal quality reviews*

Devon Audit Partnership management have completed a self-assessment checklist against the PSIAS and have identified that there are no omissions in our practices. We consider that we fully meet over 95% of the elements; partially meet 3% (6); and are not required to or do not meet 2% (5) of the elements. The self-assessment will be updated annually, and, if management identify areas where we could further strengthen our approaches, these will be added to the Quality Action Improvement Plan.

In December 2016 Devon Audit Partnership welcomed Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service and his colleague Chris Wood, Audit Manager, who completed an external validation of the Partnership.

Terry and Chris concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms\*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.”

\* **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

## **6 RESOURCES AND SKILLS**

### *Resources*

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Internal Auditor (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

Devon Audit Partnership currently has c.31 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter). The Partnership employs a number of specialists in

areas such as Computer Audit and Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff (as at February 2019) includes: -

- 3 x CCAB qualified
- 6 x qualified IIA
- 2 x qualified computer audit (QICA & CISA)
- 10 x AAT qualified
- 5 x ACFS (accredited counter fraud specialists)
- 4 x ILM (Institute of Leadership & Management) level 5 or above

Devon Audit Partnership uses MorganKai Insight (MKi) as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

#### *Staff Development and Training*

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

## **Devon Audit Partnership**

**March 2019**



## INTERNAL AUDIT CHARTER FOR 2018/19

### Report of the County Treasurer

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

**Recommendation:** that the Committee agrees the Internal Audit Charter for the year 2019/20.

1. One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The internal audit charter for the financial year 2019/20 is described in detail in a summary report available separately.
2. The PSIAS sets additional Public Sector requirements where the internal audit charter must also:
  - define the terms 'board' and 'senior management' for the purposes of internal audit activity;
  - cover the arrangements for appropriate resourcing;
  - define the role of internal audit in any fraud-related work; and
  - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
3. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.
4. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon County Council, Plymouth City, Mid-Devon, Torbay and Torridge Councils in accordance with the agreed internal audit plan.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for Enquiries:

Robert Hutchins Tel No: (01392) 385483      Dart Suite, Larkbeare House, Topsham Rd, Exeter.

Background Paper: None



## **DEVON COUNTY COUNCIL**

### **INTERNAL AUDIT CHARTER (March 2019)**

#### **MISSION**

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

#### **TERMS OF REFERENCE**

This Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

#### **DEFINITIONS**

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

The PSIAS set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Corporate Leadership Team.

The PSIAS make reference to the role of "Chief Audit Executive". For The Council this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

#### **STATUTORY REQUIREMENTS**

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

*5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the County Treasurer is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

## **THE PURPOSE AND AIM OF INTERNAL AUDIT**

The role of Internal Audit is to understand the key risks of the Council; to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- support the Section 151 Officer to discharge his / her statutory duties
- contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for The Council is provided by Devon Audit Partnership (DAP). We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members, service areas and units of The Council, adding value whenever possible.

## **PROFESSIONALISM, ETHICS AND INDEPENDENCE**

### **Being Professional**

We (Devon Audit Partnership) will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors (IIA) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit performance. The IIA Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Council's relevant policies and procedures and the internal audit manual.

Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

### **Our Ethics**

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by The Institute of Internal Auditors. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services.

The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

### **Being Independent**

Internal Audit should be independent of the activities that it audits.

The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent. They;

- Must have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Must be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Must not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

### **AUTHORITY**

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that:

Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (2) (a) make available such documents and records; and
- (b) supply such information and explanations; as are considered necessary by those conducting the internal audit.

- (3) In this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- the Chief Executive
- Members
- individual Heads of Service
- Section 151 Officer
- Monitoring Officer
- all authority employees
- all authority premises.

## **ACCOUNTABILITY**

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each of the founding partners. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. Devon Audit Partnership operates within a framework that allows the following:

- unrestricted access to senior management and members
- reporting in its own name
- separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The Head of Devon Audit Partnership fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

The County Treasurer ‘Section 151 Officer’ will liaise with the Head of Devon Audit Partnership and is therefore responsible for monitoring performance and ensuring independence.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Devon Audit Partnership reports functionally to the Audit Committee on items such as:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- receiving reports from the Head of Devon Audit Partnership on the section’s performance against the plan and other matters;
- approving the Head of Devon Audit Partnership’s annual report’
- approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Chair of Audit Committee and has the opportunity to meet with the Audit Committee in private.

## **RESPONSIBILITIES**

The Chief Executive, Heads of Service and other senior officers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

The Head of Devon Audit Partnership will provide assurance to the County Treasurer 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him/her meet his/her obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include but are not limited to:

- examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- advising on internal control implications of new systems;
- providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
- being responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues.

## **INTERNAL AUDIT MANAGEMENT**

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- be appropriately qualified;
- determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- include in the plan the approach to using other sources of assurance if appropriate;
- be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The Head of Devon Audit Partnership is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

## **INTERNAL AUDIT PLAN AND RESOURCES**

At least annually, the Head of Devon Audit Partnership will submit to the Audit Committee a risk-based internal audit plan for review and approval. The HoDAP will:

- develop, in consultation with Heads of Service, an annual audit plan based on an understanding of the significant risks to which the organisation is exposed;
- submit the plan to the Audit Committee for review and agreement;
- implement the agreed audit plan;
- maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- maintain a programme of quality assurance and a culture of continuous improvement.

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

It is a requirement of the Council's Anti-Fraud and Corruption Strategy that the Head of Devon Audit Partnership be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will also include sufficient resource to carry out proactive anti-fraud work.

Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures.

Monitoring of Internal Audit's processes is carried out on a continuous basis by Internal Audit management, and the Council's members and management may rely on the professional expertise of the Head of the Devon Audit Partnership to provide assurance. From time to time, independent review is carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

## **REPORTING**

The primary purpose of Internal Audit reporting is to communicate to management within the organisation information that provides an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions.

Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk



and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be:

- to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- to recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report in writing, within 30 days, although this period can be extended by agreement. The written response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken this must also be stated. The Head of Devon Audit Partnership is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The Head of the Devon Audit Partnership will

- submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken;
- submit on an annual basis an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment, which will also inform the Annual Governance Statement.

## **RELATIONSHIP WITH THE AUDIT COMMITTEE**

The Council's Audit Committee will act as the Board as defined in the Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 3 Responsibility for Functions).

The Head of Devon Audit Partnership will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP will:

- attend meetings, and contribute to the agenda;
- ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework.

## QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor.

In December 2016 Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service who completed an external validation of the Partnership. Terry concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms**\* to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

\* **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

## CHARTER – NON CONFORMANCE AND REVIEW

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.

Devon Audit Partnership

March 2019

**Auditing for achievement**

## DEVON COUNTY COUNCIL – CONTROL ENVIRONMENT

### Report of the County Treasurer

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

#### It is recommended that Members:

- i. Note the report;
- ii. Endorse the response from the County Treasurer including the conclusion that the Authority's accounts should be prepared on a Going Concern basis; and
- iii. Approve the proposed response to the external auditor's question to the Audit Committee on fraud (Question 18 of the Appendix)

1. Each year the Chair of the Audit Committee and S151 officer are required to respond to enquiries from the external auditors (Grant Thornton) regarding the overall control environment of the Council, with particular focus on the arrangements in place to ensure that the production of the financial statements will be free of material error.

2. It is acknowledged that no process can ever be risk free; however it is important that appropriate checks and balances are in place to ensure accuracy in preparation of the accounts and to identify errors should they arise without compromising the opinion on the accounts.

3. It should be noted that although the close-down of the accounts only occurs once a year the control environment needs to be operational throughout the accounting period on a consistent and error free basis to provide an appropriate level of assurance on the accounts.

4. Each year the authority assesses whether it should be considered as a Going Concern and whether the accounts should be prepared on that basis. The external auditor, Grant Thornton, has again this year requested that the Audit Committee consider this assessment. The County Treasurer considers that the Authority is a Going Concern and that the accounts should be produced on this basis. Evidence to support this conclusion is contained within Questions 9 to 13 of the appendix to the s151 officer's response attached.

5. The Audit Committee will be required to authorise the accounts in July after Grant Thornton has audited the accounts and prepared a report on their findings that will also go to the July Audit Committee. The attached letters from the Chair and the Section 151 officer communicate the details of the control environment.

Mary Davis

Electoral Divisions: All  
Local Government Act 1972

Contact for Enquiries: Peter Lappin  
Tel No: (01392) 383342

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

There are no equality issues associated with this report



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E-mail: [Mary.davis@devon.gov.uk](mailto:Mary.davis@devon.gov.uk)

21<sup>st</sup> May 2019

Dear Jon

**Devon County Council and Devon Pension Fund**

**Audit of Accounts 2018/19**

Thank you for your letter of 11<sup>th</sup> February 2019 in which you request information in support of your requirements under the International Auditing Standards.

You require an understanding of the management processes in place to prevent and detect fraud and ensure compliance with law and regulation.

You helpfully enclosed a schedule which explored the areas you require assurance on. I have completed this schedule and now attach this for your information.

I trust that this schedule provides you with good insight into how we ensure the risk of fraud is effectively addressed, and how we ensure compliance with law and regulation.

If you do require any further information do please let me know.

Yours sincerely

Mary Davis  
Treasurer



## Questions to management – Devon County Council and Devon Pension Fund

| Auditor question                                                                                                                                                                                | Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Fraud</b>                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p>1. Please provide your assessment of how your financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.</p>             | <p>The risk of material misstatement due to fraud is assessed as low.<br/> There is regular monitoring of budgets which would identify any material variances.<br/> There are controls within systems that require more than one employee to be involved in the processing and authorisation of any material transactions – such as payments.<br/> The financial statements are reviewed by the County Treasurer and other members of Finance Leadership Group.<br/> Overall financial performance in the financial statements is reconciled back to the Outturn Report reported to Cabinet.</p> <p>Internal Audit reviews the system of internal controls and the main accounting systems. Devon Audit Partnership (DAP) provides a regular update to the Audit Committee regarding its work and key findings. DAP is in the process of preparing its annual report for 2018/19 and will provide its conclusion to the May Audit Committee.</p>                                                                                                                                                                                                                                                |
| <p>2. What are your processes for identifying and responding to the risks of fraud? Have you identified any specific risks of fraud and/ or areas where the risks of fraud likely to exist?</p> | <p>Awareness is key to identifying the possibility of fraud and as such it is essential that staff are aware of the possibility of fraud within their working environment. We have an e-learning “fraud awareness” module in place to help managers increase their fraud awareness.</p> <p>In 2018/19, the Counter Fraud Manager of DAP has provided a training and awareness session for all finance staff on Fraud, and the steps staff can take to help prevent fraud occurring.</p> <p>Our internal audit team, Devon Audit Partnership (DAP) issues regular fraud bulletins to raise awareness of the possibility of fraud; identify the circumstances of their occurrence and the controls that should be in place and adhered to by staff to minimise the risk of similar frauds taking place within the authority.</p> <p>Where areas of fraud risk are identified, these are reviewed by management and subject to audit review to ensure the controls in place are fit for purpose and being adhered to.</p> <p>All allegations of fraud are taken seriously and are investigated promptly by management in conjunction with Internal Audit, HR and Legal Services as applicable.</p> |

|                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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|                                                                                                                                                    | <p>The annual internal audit plan includes time for fraud prevention, detection and investigation. This plan is subject to annual review and takes into account any areas of concern which have been raised by colleagues within other local authorities, or national initiatives in areas where fraudsters are known to operate.</p> <p>Through the work undertaken by Internal Audit, Trading Standards and various law enforcement partners, all significant findings are advertised via the media and the public website to raise awareness of the implications of what can happen to a fraudster if they are found out and a conviction successfully obtained.</p> <p>Bank mandate fraud, and fraud related to the impersonation of senior officers, both continue to be areas of concern. The sophistication of fraudsters attacks has increased, and there is a continued risk to the authority of such scams not being identified. Additional guidance and awareness training have been provided to front line Finance staff, and other support staff (such as school admin personnel) to increase their awareness of such threats and how to respond to concerns that they may have.</p> <p>In May 2018 the former Counter Fraud team of Plymouth City Council joined DAP. This enables DCC to access a range of specialist services, including 7 qualified Counter Fraud Specialists. In addition, the internal audit team contains a number of audit professionals (27 staff), who are trained at designing systems and controls to prevent and detect fraud and to investigate this should it arise.</p> |
| <p>3. How do you communicate with those charged with governance regarding your processes for identifying and responding to the risks of fraud?</p> | <p>When preparing the annual internal audit plan, the internal audit provider (Devon Audit Partnership) will bring to the attention of the audit committee the important role that members play in setting a zero-tolerance approach for fraud.</p> <p>When undertaking internal audit assignments all auditors will assess the control environment against the threat of fraud and corruption. Auditors will assess the effectiveness of controls in place to prevent and detect fraud, and make recommendations for further improvement if required.</p> <p>The internal audit plan will refer to time set aside to respond and investigate concerns / allegations of fraud and corruption.</p> <p>Internal Audit (Devon Audit Partnership) provide reports to the Audit Committee on a six monthly and annual basis; part of this report refers to counter fraud arrangements.</p> <p>The reports will refer to counter fraud work (such as the Devon Fraud Initiative) and provide a</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |



|                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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|                                                                                                                                                                   | summary of the frauds / irregularities that the Authority has faced in the year. As this is a public report, details of the frauds are reported at a summary level, but more details can be provided to members if they request.                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 4. How do you communicate with your employee regarding business practices and ethical behaviour?                                                                  | <p>These are communicated through messages via the Insider publication, Core Briefings, senior management team meetings etc. as part of the management process.</p> <p>In addition, guidance is available to staff on the relevant policies around business practices and ethical behaviour; including within the Code of Business Conduct the need to be transparent and register gifts and hospitality offered but declined.</p>                                                                                                                                                                                                                       |
| 5. Do you have knowledge of any actual, suspected or alleged fraud affecting the entity?                                                                          | <p>Yes.</p> <p>The internal audit team maintain a record of incidents that have occurred during the year. This can be provided to the GT team on request.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Related Parties</b>                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 6. Please list your related parties, highlighting any changes from the prior period                                                                               | The Statement of Accounts, to be published at the end of May will disclose the related parties of Devon County Council and the Pension Fund, as it does every year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 7. Please provide a summary of the nature of the relationships between the entity and these related parties                                                       | The Statement of Accounts explains the nature of the relationship with the related party.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 8. Has the entity entered into any transactions with these related parties during the 2018/19 period, if so, what was the type and purpose of the transaction(s)? | The Statement of Accounts discloses the amounts of transactions entered into with the related party in 2018/19 (and previous year for comparative purposes).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Going Concern</b>                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 9. Is the going concern basis of accounting a fundamental principle in the preparation of your financial statements?                                              | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 10. Has a preliminary assessment of the entity's ability to continue as a going concern been performed?                                                           | <p>As above, the Code of Practice on Local Authority Accounting 2018/19 requires local authorities to prepare the Statement of Accounts on a going concern basis</p> <p>"...2.1.2.6 Going concern – an authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future (see also paragraph 3.4.2.23 for bodies that follow the Code but may be discontinued without statutory prescription). Transfers of services under combinations of public sector bodies (such as</p> |

|                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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|                                                                                                                                                                                                                                   | local government reorganisation) do not negate the presumption of going concern....”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 11. Have you identified events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern? If so, what are you plans to address them?                    | <p>No. Please see the response regarding the requirements of the Code of Practice.</p> <p>The Authority has achieved a small increase in General Fund balance as reported in the Outturn report to Cabinet on 15<sup>th</sup> May . There are increases in earmarked reserves.</p> <p>Cash forecasts show sufficient cash reserves to meet future liabilities.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 12. What is your basis for the intended use of the going concern assumption? Do events or conditions exist that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern? | <p>The Code of Practice requires the Authority to prepare the Statement of Accounts on a going concern basis.</p> <p><b>“...3.4.2.23 Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting. Other bodies that prepare financial statements in accordance with the Code that may be discontinued without statutory prescription shall follow the going concern reporting requirements in IAS 1....”</b></p> <p>The accounts have been prepared on a going concern basis. The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Although Central Government funding is being cut significantly this will have no adverse effect on Devon County Council as a going concern.</p> <p>Financial Performance – the authority has a strong track record of not overspending its budget. 2018/19 was the 28th year in succession that the authority has delivered a surplus at the year end. This is in spite of significant cuts to Government funding and in year pressures in the area of children’s social care.</p> <p>Continuing Provision of Services – Ongoing cuts to public sector expenditure have resulted in significant reductions in local authority funding. The authority has made savings of just under £265 millions since the comprehensive spending review of 2010. Services have been reduced, efficiencies found and different delivery models identified. These changes do not affect the going concern status of the authority as overall services to the people of Devon continue. The Authority has tax raising powers and is still in receipt of a significant level of government grant.</p> |

|                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                       | <p>Cash flow/financing – The Budget Management Group receives cash flow forecasts at every meeting. Short term investments, cash and cash equivalents amounted to more than £190 millions at 31 March 2019.</p> <p>My conclusion is therefore that the authority is a Going Concern and the accounts should be prepared on that basis.</p> <p>As part of the budget process, the Treasurer prepares a high level MTFS covering the next three years and this supports the declaration on the robustness of estimates and the adequacy of reserves. The Council will need to make significant savings in order to meet the reduced level of resources over this timescale.</p> <p>However, even with large budget reductions, the County Council's gross revenue budget is in excess of £1 billion, with a five year capital programme totalling over £425 million. The long and short term assets of the authority exceed £1.6 billion. There are no structural changes proposed by Government for Local Government and therefore no doubt exists around the medium term future of the Council or its classification as a going concern.</p> <p>The Treasurer receives Committee and finance reports and attends weekly Corporate Leadership Team meetings with the Chief Executive, Chief Officers, Heads of Service and County Solicitor. These meetings consider any significant issues that would affect the consideration of going concern.</p> |
| 13. If applicable, please document your basis for concluding that the going concern basis of accounting is not a fundamental principle in the preparation of the financial statements | Not applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Litigation and claims</b>                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 14. Are you aware of possible litigation and/ or =claims which may give rise to a risk of material misstatement?                                                                      | Following enquiries made of the County Solicitor, I am not aware of any possible litigation that would give rise to a risk of material misstatement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Accounting estimates</b>                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 15. How do you identify transactions, events, and conditions that may give rise to the need for accounting estimates to be recognised or disclosed in your financial statements?      | <p>The Code of Practice on Local Authority Accounting sets out the recognition and disclosure requirements with a focus on what would be material for users of the financial statements.</p> <p>Each year a new Code is issued which highlights changes from the previous year. These changes are taken into account when determining the accounting estimates that need to be recognised and disclosed in the financial statements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

|                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                             | <p>For 2018/19 the Code has adopted IFRS 15 – revenue from service recipients and IFRS 9 – financial instruments. The Code requires additional disclosures for material items.</p> <p>In addition to the monitoring of budgets and transactions during the year, finance staff have regular discussions with services to identify if there is any need for accounting estimates.</p> <p>Enquiries are made of the County Solicitor and her team to identify the need for new or revised accounting estimates as the result of legal action.</p> |
| 16. Are there any changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates? | There are two new accounting standards adopted by the Code for 2018/19 which has required additional and alterations to disclosures in the financial statements. However, they have not given rise to new or the need to revise existing, accounting estimates.                                                                                                                                                                                                                                                                                 |
| <b>Laws and Regulations</b>                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 17. Are you aware of any non-compliance with any laws and regulations?                                                      | I am not aware of non-compliance with any laws and regulations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

Question to the Audit Committee – Devon County Council and Devon Pension Fund

| <b>Auditor question</b>                                                                    | <b>Response</b>                                                                                                                                                   |
|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 18. Do you have knowledge of any actual, suspected, or alleged fraud affecting the entity? | Yes, details of all actual, suspected or alleged fraud affecting the authority are reported to the Audit Committee as part of the regular Internal Audit reports. |

Mary Davis  
County Treasurer  
Devon County Council  
County Hall  
Topsham Road  
Exeter  
Devon  
EX2 4QD

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Bristol BS2 0EL

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F +44 (0)117 305 7784  
DX 78112 Bristol  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

11 February 2019

Dear Mary

**Devon County Council and Devon Pension Fund  
Financial Statements for the year end 31 March 2019**

To comply with International Auditing Standards, we need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. We are also required to make inquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud. International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the attached schedule. In completing this task, you may wish to take into account the views of other directors where you think appropriate. The schedule relates to operational issues as well as the financial statements. Your responses should cover both the County Council and the Pension Fund.

In addition to our request to management, we will also need to contact the Chair of the Audit Committee, your Internal Auditors and the monitoring officer. For ease of responding, the question to the Chair of the Audit Committee is at the foot of the questions to management.

In preparing your responses, it would assist me greatly if you could include a summary of evidence that you have relied on to inform your responses, and the sources of assurance that you have that the relevant management controls have operated effectively through the financial year to date and will operate up to the date the accounts are approved.

It would be useful to coordinate both the Audit Committee and management responses for discussion at the Audit Committee meeting on 21 May 2019. At that time the Audit Committee should confirm that it is satisfied with management's comments, and minute that, as well as endorsing their own single comment on fraud.

Please contact David Bray if you wish to discuss anything in relation to this request

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jon Roberts'. The signature is written in a cursive style with a large initial 'J' and 'R'.

Jon Roberts  
Partner  
Grant Thornton UK LLP

## Questions to management – Devon County Council and Devon Pension Fund

| Auditor question                                                                                                                                                                      | Response |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| <b>Fraud</b>                                                                                                                                                                          |          |
| Please provide your assessment of how your financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.             |          |
| What are your processes for identifying and responding to the risks of fraud? Have you identified any specific risks of fraud and/ or areas where the risks of fraud likely to exist? |          |
| How do you communicate with those charged with governance regarding your processes for identifying and responding to the risks of fraud?                                              |          |
| How do you communicate with your employee regarding business practices and ethical behaviour?                                                                                         |          |
| Do you have knowledge of any actual, suspected or alleged fraud affecting the entity?                                                                                                 |          |
| <b>Related Parties</b>                                                                                                                                                                |          |
| Please list your related parties, highlighting any changes from the prior period                                                                                                      |          |
| Please provide a summary of the nature of the relationships between the entity and these related parties                                                                              |          |
| Has the entity entered into any transactions with these related parties during the 2018/19 period, if so, what was the type and purpose of the transaction(s)?                        |          |
| <b>Going Concern</b>                                                                                                                                                                  |          |
| Is the going concern basis of accounting a fundamental principle in the preparation of your financial statements?                                                                     |          |
| Has a preliminary assessment of the entity's ability to continue as a going concern been performed?                                                                                   |          |

|                                                                                                                                                                                                                               |  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Have you identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern? If so, what are your plans to address them?                   |  |
| What is your basis for the intended use of the going concern assumption? Do events or conditions exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern? |  |
| If applicable, please document your basis for concluding that the going concern basis of accounting is not a fundamental principle in the preparation of the financial statements                                             |  |
| <b>Litigation and claims</b>                                                                                                                                                                                                  |  |
| Are you aware of possible litigation and/ or claims which may give rise to a risk of material misstatement?                                                                                                                   |  |
| <b>Accounting estimates</b>                                                                                                                                                                                                   |  |
| How do you identify transactions, events, and conditions that may give rise to the need for accounting estimates to be recognised or disclosed in your financial statements?                                                  |  |
| Are there any changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates?                                                                                                       |  |
| <b>Laws and Regulations</b>                                                                                                                                                                                                   |  |
| Are you aware of any non-compliance with any laws and regulations?                                                                                                                                                            |  |

### Question to Those Charged with Governance – Devon County Council and Devon Pension Fund

| Auditor question                                                                       | Response |
|----------------------------------------------------------------------------------------|----------|
| Do you have knowledge of any actual, suspected, or alleged fraud affecting the entity? |          |



## 2018/19 Risk Management Annual Report

### Report of the County Treasurer

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

#### Recommendations:

- i. that the committee notes the movement of risks during 2018/19.
- ii. that the Committee notes the changes and updates to the risk management process as supported by Devon Audit Partnership.
- iii. that members note the plans for enhancements for Risk Management for 2019/20.
- iv. that members note the summary risk position for current risks.
- v. that members note the 11 risks currently ranked the highest.
- vi. That the committee note that there have been no changes of note to the Risk Management Policy for 2019/10.

The attached report sets out the changes to risk management during 2018/19 and confirms the role of the Audit Committee as per the Risk Management Policy. It further summarises the existing risk position and links to visual reporting via power BI.

Appendix A Shows the top risks at the time of writing this report along with the mitigating actions.

Appendix B Shows the Risk Management overview and reporting schedule for 2019/20.

Mary Davis

Electoral Divisions: All  
Local Government Act 1972

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

| Background Paper | Date | File Ref |
|------------------|------|----------|
| Nil              |      |          |

There are no equality issues associated with this report

# Agenda Item 9



devon**audit**partnership

**Risk Management**

**Risk Management**

**Annual Report for 2018/19**

**May 2019**



**Audit Committee**

**CUSTOMER  
SERVICE  
EXCELLENCE**



Support, Assurance & Innovation

Page 94

## Introduction

Devon Audit Partnership (DAP) continues to support and facilitate the development of the Councils Risk Management Framework and Processes. This support is designed to assist members, senior management and staff in identifying risks, recognising and recording the "true" risk, mitigation thereof and promote effective monitoring and reporting of those risks.

## Background

The Risk Management Policy includes a description of the Roles and Responsibilities in relation to risk management. In respect of the Audit Committee the wording is shown below.

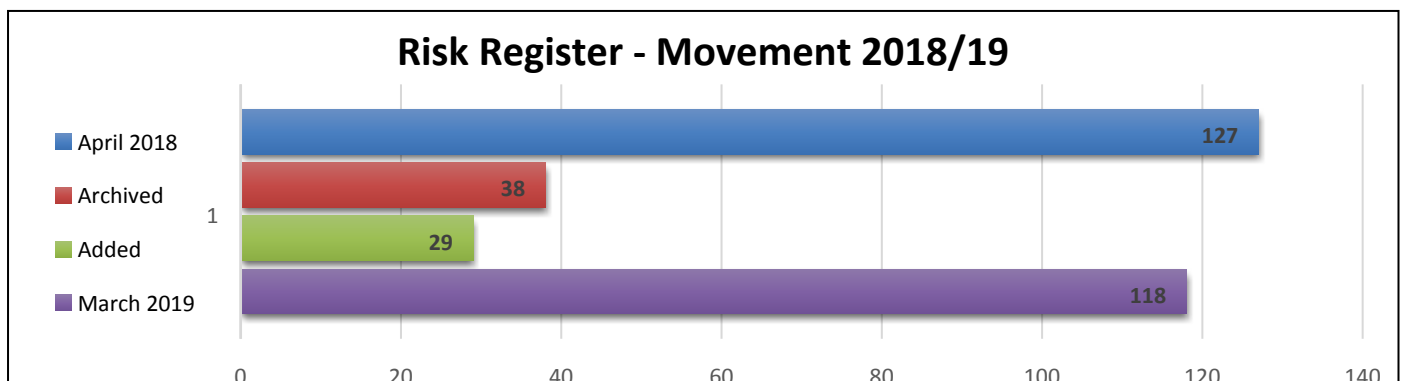
*The Audit Committee is responsible for ensuring that the council's Risk Management process is carried out effectively. It will not normally examine specific risks to objectives in detail but satisfy itself that risks are being monitored appropriately by the risk owner and relevant Scrutiny Committee. The Audit Committee may also consider the "top ten" risks to ensure that action is being taken to mitigate these risks. The Audit Committee will receive a report at least twice yearly on new "High" risks and other key developments within risk management.*

In practical terms this achieved through the receipt, review and discussion of the Risk Management Reports presented periodically to the Committee, enhanced by the subsequent actions determined by the Committee.

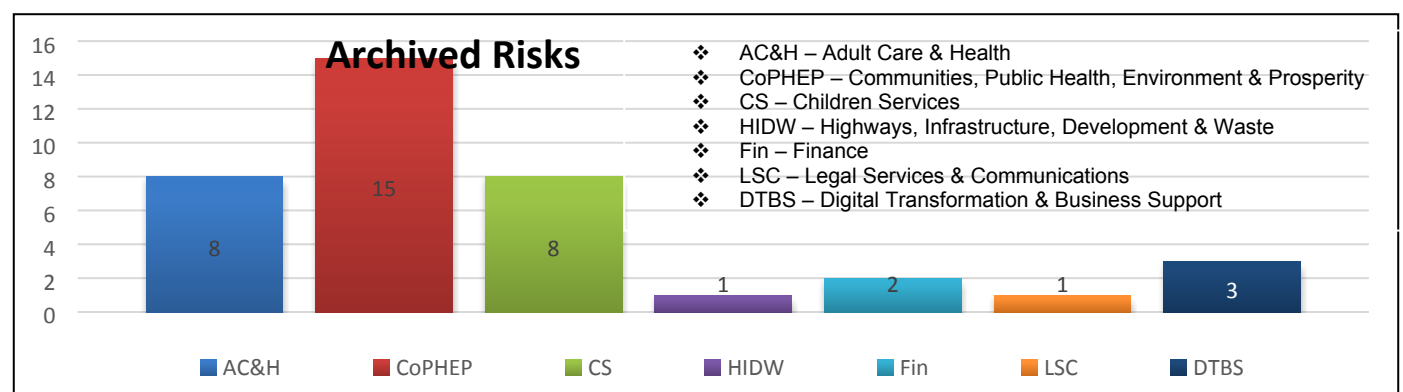
As communicated in previous reports the system used to record risks (the Risk Register) continues to be developed to ensure that risks can be recorded, reviewed and managed. Furthermore, work continues across the Council to ensure that the data within the risk registers is clear, accurate, relevant and importantly, linked to organisational objectives.

## 2018/19 Risk Movements

Changes during 18/19 have resulted in a net reduction of nine risks during 2018/19 as per the chart below.



The predominant reasons for archiving risks include the Current risk score falling below that set in the Risk Management Policy for monitoring, or risks evolving and been replaced by or merged with others.

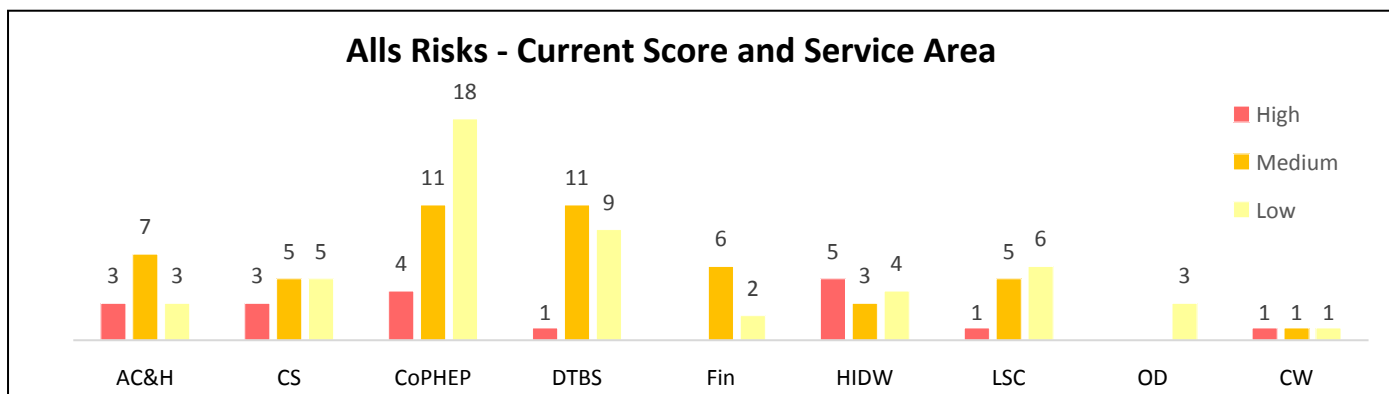


## Further actions, changes and events during the year

- A comprehensive review, rewording and re-scoring of all Adult Care & Health risks - The Adult Care and Health Management team, in conjunction with their performance team and the Councils Risk Management Specialist have completed a detailed review of all of their risks.
- Development of Links with the Devon CCG Risk Management function – Due to the ongoing growth of links between Social Care and Health Services, the ability to combine risk information for the Adult Care and Health Scrutiny Committee has been explored and will be developed during the coming year.
- Automated Risk Review Reminders – The function to send email reminders to risk owners when risk reviews are due has been developed with the Risk Register. This function is linked to the corporate Risk Management Policy risk review requirements and the reminder can be sent to a generic team mailbox.
- Creation of additional Risk Registers – To maximise the value of the Risk Register platform it has been expanded. A new register has been created for use by Peninsula Pensions to allow them to move away from a spreadsheet-based register and maximise the value of aspects such as the automated reminder and ability to record risk update history. In addition, a register for projects is being developed to allow the Council to have a snapshot of the status of all ongoing substantial projects.
- The Risk Management Masterclass for Members which outlined the concepts of risk management and risks within the Council.
- Development of Power BI Dashboards – Power Bi development continues with a view to providing visual and more timely reporting linked to the Risk Register. This will be customised for Members, LG8 and individual Leadership Teams.
- Risk Register – The Risk Register continues to be updated and streamlined to allow quicker access to information and develop the information being recorded.
- Regional Risk Management Group – The regional group was set up in early 2018 has continued to expand, including a range of public sector representatives. Initial steps to create a high-level Regional Risk Register have commenced.
- The management and reporting of risks during 2018/19 continued to evolve and developed a positive culture of expectation around risk information. This has led to greater interaction and requests for enhancements, further growing levels of reporting, expectation and overall risks management.
- The Risk Management Policy has been reviewed to support Risk Management during 2019/20 and no changes of note have been made.

## Current Risk Position

There were 118 risks recorded in the Risk Register as of 25th April 2019. Of the 118 risks, 18 have a Current risk score of High, 49 Medium and 51 Low. The following chart shows these risks by their Current (Residual) risk score and Service Area.



Further information on the latest position of existing risks can be found using the following link to Power BI Reporting [Power Bi – Current Risk Data](#).

## Risk Management in 2019/20

Development of Risk Management will continue in 2019/20 building on the progress made to date. Future areas of focus will include:

- Updating the format of risk wording – This will allow easier description and wider understating of risks, along with a greater ability to clearly link the mitigations to the different aspects of each risk.
- Risk Scoring – Continued work to ensure that there is consistency of risk scoring across all areas, in turn allowing easier comparison and prioritisation of risks and response actions.
- Risk Appetite - Commencement of the drafting of Risk Appetite Statements for the various areas of the Council, in turn supporting consistent approaches and expectations for risk management.

All actions for 2019/10 will continue to support the enhancement of a positive risk management culture across the Council.

## Supporting Appendices

Appendix A – Risk Register Extract (See the link above for access to the latest risk register information)

Appendix B – Risk Management Diagram and 2019/20 Reporting Schedule.

This table includes an extract of the risks with the highest Current score at the time of compiling this report.

| Risk Title                                                                                                                  | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Service area                                | Inherent score | Current score | Risk Owner     | Accountable Officer | Latest review | Change direction |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|----------------|---------------|----------------|---------------------|---------------|------------------|
| HTM1: Deterioration of minor road network due to insufficient maintenance.                                                  | Injury and delays to road users and damage to vehicles resulting from deterioration of C Class and Unclassified road network due to insufficient planned and Routine Maintenance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Highways and Traffic                        | 25: Very high  | 20: High      | Joe Deasy      | Meg Booth           | 09 Apr 2019   | ↔                |
| HTM2: Lack of capacity or capability to respond effectively to highway safety related issues                                | Potential for fatal and severe accidents to citizens due to lack of effective and timely repair or replacement of highway assets. This could be brought about by deteriorating highway condition, inability to meet policy level of service, inadequate procedures or poor staff/contract performance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Highways and Traffic                        | 24: Very high  | 20: High      | Joe Deasy      | Meg Booth           | 09 Apr 2019   | ↔                |
| HTM3: Lack of capacity or capability to effectively respond to extreme weather events                                       | Flooding, obstruction and structural damage to the highway or other transport infrastructure affecting citizens and property causing traffic disruption, economic and health impacts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Highways and Traffic                        | 24: Very high  | 20: High      | Joe Deasy      | Meg Booth           | 09 Apr 2019   | ↔                |
| BI22 - In-sourcing of Services into DCC                                                                                     | In-sourcing of significant services such as PHN/Short Breaks present a risk to DCC in terms of resources and responsibility.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Digital Transformation and Business Support | 24: Very high  | 20: High      | Matthew Jones  | Matthew Jones       | 18 Apr 2019   | ↔                |
| Insufficient capacity of the High Needs Block to meet demand                                                                | Due to the ongoing HNB deficit budget and changes in the SEND Code of Practice including age range, Element 3 payments to maintained schools, cost of independent sector places and increases in capacity for Special Schools, funding remains insufficient to meet the demand to deliver the statutory requirements, resulting in reduced SEND outcomes for 0-25, reputational damage including fault found by Ombudsman, and legal challenges through SENDIST.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Education and Early Help                    | 20: High       | 20: High      | Julia Foster   | Dawn Stabb          | 23 Mar 2019   | ↔                |
| Brexit - The UK's exit from the European Union results in pressures which directly impact the Councils delivery of services | <b>Cause</b> – Referendum Decision to Leave the EU.<br><br><b>Event</b> – New arrangements need to be agreed for the relationship between the UK and the EU.<br><br><b>Impact/s</b><br><u>No Deal Brexit</u><br>Return to WTO Rules, reduced trading, return to WTO Rules, increased cost of trading.<br>Increased uncertainty on employment and residency for EU citizens.<br>Decrease in labour market availability to support care needs.<br><u>Brexit with Deal</u><br>Additional work to ensure future compliance with EU Rules and Regulations that may still be in force or require adherence to for specific activities, along with increased costs to ensure compliance with all future legislation.<br><u>Both</u><br>Increased costs due to lost funding to EU funded programmes, including economic growth and regeneration, employment, environmental protection, research and development.<br>Impact on local business / population and knock on effect to areas such as business rates and council tax.<br>Greater pressure on labour markets if EU nationals are not available to fill posts. | Council-wide                                | 20: High       | 20: High      | Roland Pyle    | Leadership Group    | 03 Apr 2019   | ↔                |
| Demand for Children’s Services exceeds the financial provision                                                              | Due to an increase in demand for the different services provided by the Children’s Services teams, the budget set for the current financial year may be exceeded, resulting in a potential reduction of service delivery or the possibility of a failure to deliver statutory responsibilities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Children’s Services                         | 24: Very high  | 16: High      | Darryl Freeman | Jo Olsson           | 07 May 2019   | ↔                |

This table includes an extract of the risks with the highest Current score at the time of compiling this report.

| Risk Title                                                                                                     | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Service area                     | Inherent score | Current score | Risk Owner   | Accountable Officer | Latest review | Change direction |
|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------|---------------|--------------|---------------------|---------------|------------------|
| KS9: Demand for adult social care and health for working aged adults (aged 18-64) exceeds financial provision. | <p><b>Cause</b> – Due to advances in medical practice more young people are surviving into adulthood with increasingly complex needs, living longer and out living their carers’.</p> <p><b>Event</b> – Significant cost and volume pressures are being placed on the adult social care system. In addition to the increasing numbers of young people transitioning from children's services there are additional and increasing pressures to support people with mental health needs, particularly in residential care settings.</p> <p><b>Impact</b> - Significant demand and financial pressures are evident within the system. Overall more of the adult social care NET budget is now being spent on supporting working aged adults (aged 18-64).</p> <p>Based on 3-year retrospective modelling, additional cost pressures of c.a. £1m are anticipated in supporting young people transitioning into adult care services.</p> <p>There is also significant pressure within the mental health system for residential care placements with demand and cost outstripping budget capacity.</p> | Adult Care Operations and Health | 24: Very high  | 16: High      | Keri Storey  | Jennie Stephens     | 21 Mar 2019   | ↔                |
| Failure to adhere to the statutory SEND Code of Practice: 0 to 25 Years                                        | Failure to comply with the Code of Practice would negatively impact on the delivery of high quality, timely education and healthcare plans, resulting in decreased educational support and opportunities for those who qualify.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Education and Early Help         | 16: High       | 16: High      | Julia Foster | Dawn Stabb          | 25 Mar 2019   | ↔                |
| HR: Employee Services: System Failures                                                                         | System failure due to technical problems may result in employees not being paid on time or accurately.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Human Resources                  | 20: High       | 16: High      | Wendy Smith  | Jacky Wilson        | 28 Mar 2019   | ↔                |
| Inadequate DCC access to diesel / petrol during a fuel crisis                                                  | DCC holds no bunkered fuel and would therefore be vulnerable during a fuel shortage. Access to mutual aid from LRF partners would be limited as more of them are also disposing of stored fuel. Where aid is available it is likely to be restricted to diesel. A national plan to assist key industries and services is in place but activation is likely to be too late to avoid shortages and disruption to services. It is the provision of social care that is of most concern.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Council-wide                     | 16: High       | 16: High      | Keith Reed   | Amanda Palmer       | 19 Mar 2019   | ↔                |

Details on the controls and mitigations planned or in place for the risks show above can be found on the following pages.



## Risk Mitigations (RAG rated as per the Risk Register Entry)

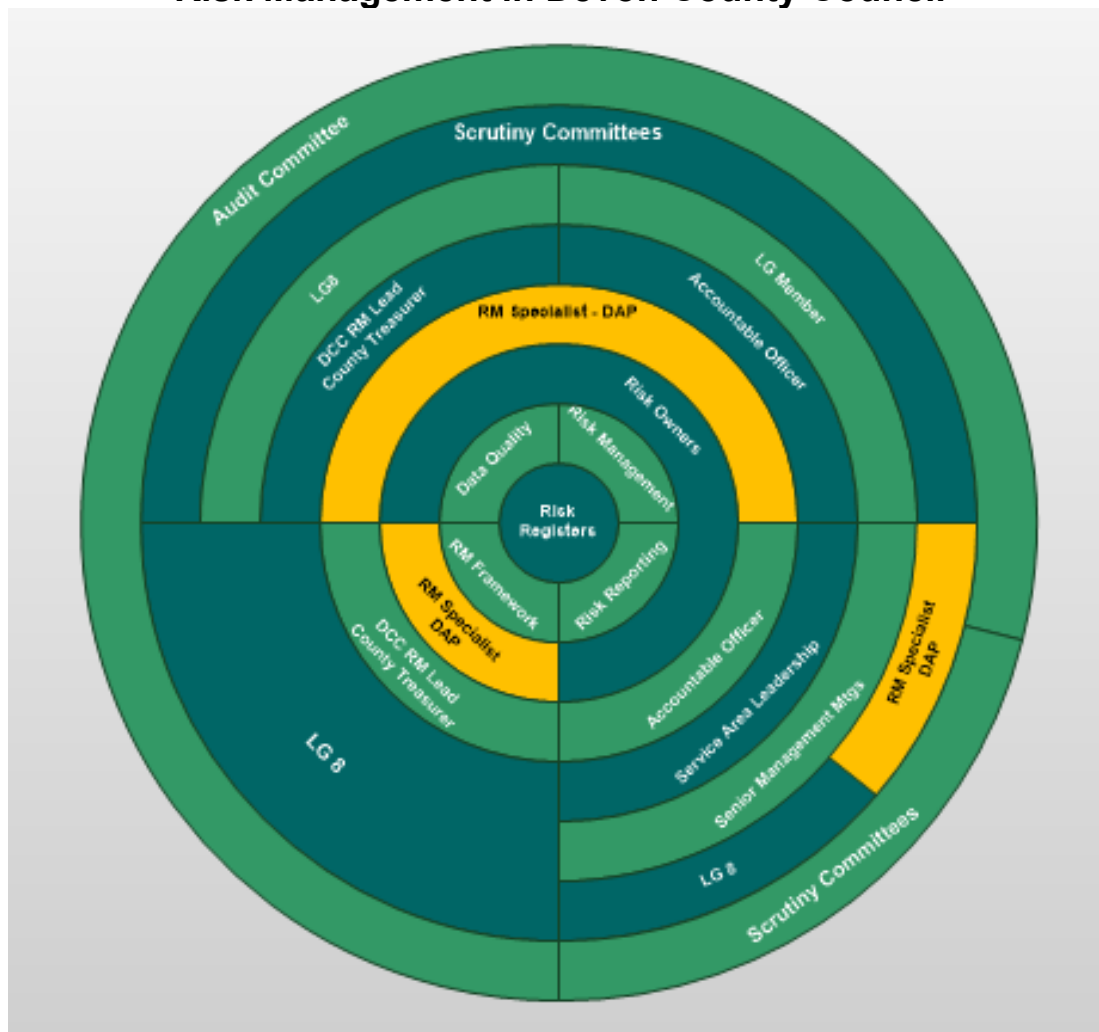
The table below outlines the mitigations recorded against the risks identified above. Each mitigation has been rated as Red, Amber, Green or Completed by the owner of the action.

| Risk Title                                                                                                                  | Current Risk Score | Controls and Mitigations |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |     |                |           |                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| HTM1: Deterioration of minor road network due to insufficient maintenance.                                                  | 20: High           | Green                    | <ul style="list-style-type: none"><li>Highway Monitoring</li><li>Value for Money solutions</li><li>Safety repairs</li><li>Communication with stakeholders</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Red   | Funding                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |     |                |           |                                                                                                                                                                                                                                                                                   |
| HTM2: Lack of capacity or capability to respond effectively to highway safety related issues                                | 20: High           | Green                    | <ul style="list-style-type: none"><li>Programme flexibility</li><li>Staff training and audit procedures</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Amber | Highway Monitoring                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Red | Safety repairs |           |                                                                                                                                                                                                                                                                                   |
| HTM3: Lack of capacity or capability to effectively respond to extreme weather events                                       | 20: High           | Green                    | <ul style="list-style-type: none"><li>Winter Service and Emergency Plan</li><li>Highway Monitoring</li><li>Delivery of Planned works</li><li>Preparedness</li><li>Asset Management</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                     | Amber | Resources                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |     |                |           |                                                                                                                                                                                                                                                                                   |
| BI22 - In-sourcing of Services into DCC                                                                                     | 20: High           | Green                    | Cost of support services are being captured                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Amber | In-sourcing Board convened to manage process<br>Discussions occurring to agree and manage transfer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |     |                |           |                                                                                                                                                                                                                                                                                   |
| Insufficient capacity of the High Needs Block to meet demand                                                                | 20: High           | Green                    | Quality assurance of provision and strategic market management - Good QA processes in place - recently confirmed in Independent review of EHCP policy and process.                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Amber | <ul style="list-style-type: none"><li>A reduction in placements in the Independent sector, (management action has set a target to reduce by 40), achievement of this target is adversely affected by statutory protection given to parental preference. This is not being achieved - more and more demand for specialist placements exists - all maintained special schools places are full as of August 2018. Mitigating control is now looking at cost management in this sector.</li><li>New Special School settings to be agreed<br/>Free school (Glendinning House) start date postponed by DfE to Sep 2020<br/>New school (Charlton Lodge) agreed opening Sep 2019 with additional 30 places rising to 72 over next three years</li><li>Cost analysis of Independent sector placements to achieve value for money in contracts with providers. Block contracting arrangements with preferred providers</li></ul> |     |                | Completed | Capping of element 3 payments, Practice is implemented in mainstream schools, completion date of Dec 2018 planned. Increased capacity in maintained special schools. Forward plans proposed in SEN Strategic Review, additional capacity added over 130 places in last two years. |
| Brexit - The UK's exit from the European Union results in pressures which directly impact the Councils delivery of services | 20: High           | Green                    | <ul style="list-style-type: none"><li>Establish a Devon County Council Brexit website for key messages and signposting. Continue communications to DCC Members, staff, and Trade Unions.</li><li>Continue to engage with MHCLG via the Chief Executives' regional communications network.</li><li>Update, revise, prepare and publish business and service continuity plans.</li><li>Support DCC staff who are EU citizens to register through the Government's EU Settlement Scheme.</li><li>Participation in the Heart of the South West Brexit Resilience and Opportunities Group to help business and communities.</li></ul> |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |     |                |           |                                                                                                                                                                                                                                                                                   |



| Risk Title                                                                                                                                | Current Risk Score | Controls and Mitigations |                                                                                                                                                                                                                                                                                                                                                                                     |       |                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                      |                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                      |  |
|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|                                                                                                                                           |                    |                          | <ul style="list-style-type: none"><li>Situation reporting template available for DCC service leads to enable reporting to the Cornwall and Devon Local Resilience Forum.</li><li>Responding to the forthcoming consultation on the UK Shared Prosperity Fund.</li></ul>                                                                                                             |       |                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                      |                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                      |  |
| Demand for Children’s Services exceeds the financial provision                                                                            | 16: High           | Green                    | <ul style="list-style-type: none"><li>Regular review of Budgets to consider pressures and demand and to identify where costs can be reduced.</li><li>Ongoing recruitment initiatives.</li><li>Inclusion of risks in register including CS Demand, SEN and High Need pressures as well as some linked to Education such as transport.</li><li>Provision of updates to LG8.</li></ul> |       |                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Amber                                                                                                                                                                                                                | <ul style="list-style-type: none"><li>Lobbying of Government to increase funding in this area.</li><li>Use of meaningful KPI’s.</li></ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                      |  |
| KS9: Demand for adult social care and health for working aged adults (aged 18-64) exceeds financial provision putting the Council at risk | 16: High           | Green                    | Regular closer working with commissioners and development of a critical path across operations and commissioning.                                                                                                                                                                                                                                                                   |       | Amber                                                                                                   | <ul style="list-style-type: none"><li>Increased capacity within Autism Team and establishment of Disability County Team to complete reviews.</li><li>Detailed programme of reviews and work to be completed to deliver savings.</li></ul>                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                      | Completed                                                                                                                                 | <ul style="list-style-type: none"><li>Establishment of disability practice lead post and workforce plan through BCF funding to improve practice and upskill workforce.</li><li>Implemented revised in-house enabling offer 'reaching for independence' with closer joint working with community teams for enabling intervention to be considered at all reviews.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                      |  |
| Failure to adhere to the statutory SEND Code of Practice: 0 to 25 Years                                                                   | 16: High           | Amber                    | <ul style="list-style-type: none"><li>Partner and provider organisations plan and monitor compliance with code of Practice and report to SEND Improvement Board.</li><li>Increased partnership working with schools and settings to reinforce partnership approach and consistent use of a graduated response across all schools.</li></ul>                                         |       | Red                                                                                                     | <ul style="list-style-type: none"><li>Quality of EHCPs and contributing advice to be quality assured and on time.</li><li>Timeliness of Final Plans to improve through advice contributions on time, steady rate of Plans produced. Demand will affect achievement of this as capacity remains the same.</li><li>Parental experience in process to be managed alongside efficiencies to reduce anxiety while children are under assessment. Case management system is being considered through procurement with ICT commissioning.</li></ul> |                                                                                                                                                                                                                      | Completed                                                                                                                                 | <ul style="list-style-type: none"><li>SEND Improvement Board in place with good attendance and sign up from all partner organisations.</li><li>New process being put in place to address timeliness and quality of EHCP plans. Robust monitoring put in place. Quality Assurance toolkit agreed across all education, health and care services.</li><li>Additional capacity has been agreed to add to SEN team in DCC to address volume of requests for EHCPs in Devon. 99% increase unprecedented in 2017. Capacity in place by April 2018.</li><li>Review of partner service timeliness of contributions - Ind review identified late advice reduces possibility of meeting deadlines. Educational Psychology Service under Notice to Improve.</li></ul> |                                                                                                                                                                                                                                                                                                                                      |  |
| HR: Employee Services: System Failures                                                                                                    | 16: High           | Green                    | <ul style="list-style-type: none"><li>Proactive controls.</li><li>HRMS Project.</li><li>Collaborative working.</li><li>HR and ICT Business Continuity Plans.</li><li>Monitoring of performance and careful planning of larger processes.</li></ul>                                                                                                                                  |       |                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                      |                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                      |  |
| Inadequate DCC access to diesel / petrol during a fuel crisis                                                                             | 16: High           | Green                    | Local LRF Planning                                                                                                                                                                                                                                                                                                                                                                  | Amber | <ul style="list-style-type: none"><li>Highways contractors.</li><li>Risk of a No Deal Brexit.</li></ul> | Red                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"><li>National Emergency Plan for Fuel 2017</li><li>Concerns over ability of social care providers to cope with a fuel shortage</li><li>LRF Questionnaire on bunkered fuel</li></ul> |                                                                                                                                           | Completed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <ul style="list-style-type: none"><li>National Fuel Plan (last updated early 2017).</li><li>Mutual aid arrangements with others.</li><li>Use of the military.</li><li>Delays to the review of the national plan.</li><li>Contact details for Designated Filling Stations.</li><li>Escalated concerns to LRF COG Sept 2015.</li></ul> |  |

### Risk Management in Devon County Council



#### Leadership Group

The schedule for reporting to the Leadership Group is based on the regular provision of information, ideally at least quarterly.

The in-year update reporting the Leadership Group will contain information on the position of risks at that time along with relevant background and detailed actions linked to the further enhancement of Risk Management across the Council.

The Annual Report will highlight changes that have taken place in the previous year, detail the risk position at that point in time and make note of future plans for the development of Risk Management.

#### Member Committees

The reporting schedule for Member Committees includes an in-year update for the Scrutiny Committees, along with an Annual Report. These reports will focus on relevant risks for each area.

Reporting to the Audit Committee comprises an Annual Report and up to two in year updates. These reports will focus on the overall risk management process and identify the highest rated risks at that point in time.

| Event               | Date   | Report Type         |
|---------------------|--------|---------------------|
| Audit Committee     | May-19 | 18/19 Annual Report |
| Children's Scrutiny | Jun-19 | 18/19 Annual Report |
| H&AC Scrutiny       | Jun-19 | 18/19 Annual Report |
| CIRS Scrutiny       | Jun-19 | 18/19 Annual Report |
| Audit Committee     | Nov-18 | Half Year Update    |
| Children's Scrutiny | Nov-18 | Half Year Update    |
| H&AC Scrutiny       | Nov-18 | Half Year Update    |
| CIRS Scrutiny       | Nov-18 | Half Year Update    |

Where possible these reports will be produced in conjunction with representatives from the different service areas to add further value to each submission.

Audit Committee  
21 May 2019

## EXTERNAL AUDIT – UPDATE

### Report provided by Grant Thornton via the County Treasurer

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

**Recommendation:** that the Committee notes the attached report and findings within.

1. The attached report, provided by the Council's External Auditors (Grant Thornton), sets out the progress in delivering their responsibilities as the County Council's external auditors.

Mary Davis  
Electoral Divisions: All  
Local Government Act 1972  
List of Background Papers

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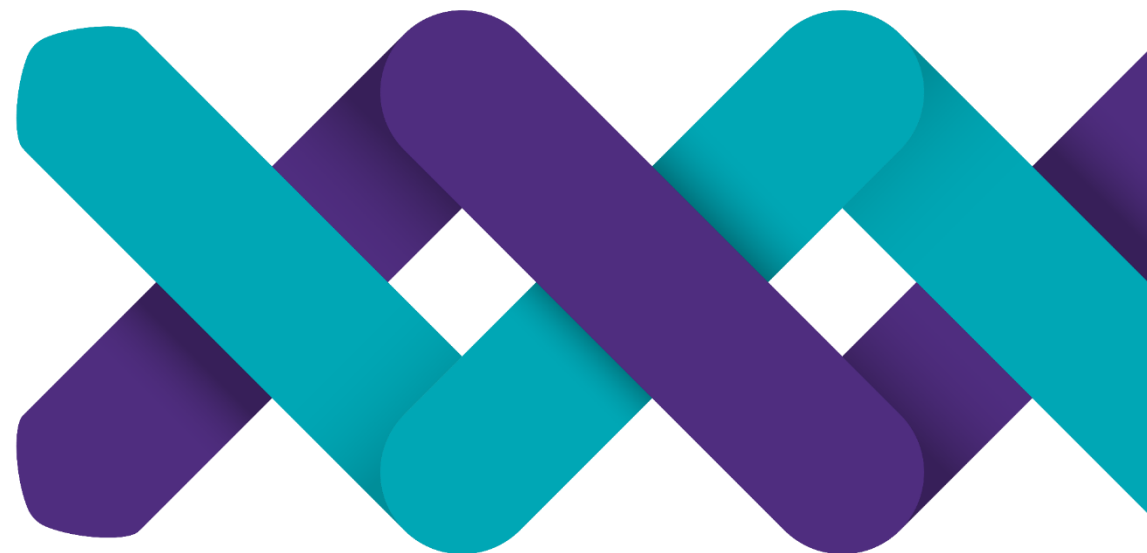
Background Paper: None



# Audit Progress Report and Sector Update

Devon County Council  
Year ending 31 March 2019

Committee Date: 21 May 2019



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# Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a County Council; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes).

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click here to be directed to the website: [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at 7 May 2019

## Financial Statements Audit

Our audit plan for the year ended 31 March 2019 was presented to the Council's Audit Committee on 27 February 2019.

We commenced our interim audit in March 2019 although due to resourcing issues this did not cover as much as we had originally expected. We have:

- Updated our review of the Council's control environment
- Updated our understanding of the financial systems and business processes
- Reviewed of Internal Audit reports on core financial systems

We are working with the Council to agree a timetable for the remainder of the 2018/19 audit.

We expect that the final accounts audit will begin in June with findings reported to you in the Audit Findings Report at the Audit Committee meeting on 29 July 2019.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach are included in our Audit Plan, which is included as a separate agenda item.

We will report our work in the Audit Findings Report to you at the Audit Committee meeting on 29 July 2019.

## Other areas

### Meetings

We met with the Council's Chief Executive and County Treasurer in May as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Objection

We have completed our consideration of the objection made by a member of the public regarding the 2017/18 accounts and our response is currently with Public Sector Audit Appointments. We will provide a verbal update to the Audit Committee.



# Audit Deliverables

| 2018/19 Deliverables                                                                                                                                                                                                      | Planned Date  | Status                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------------------------------------------------------------------------------------------------------------------------|
| <b>Fee Letter</b><br>Confirming audit fee for 2018/19.                                                                                                                                                                    | April 2018    | Complete                                                                                                                       |
| <b>Accounts Audit Plan</b><br>We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements. | February 2019 | Complete                                                                                                                       |
| <b>Interim Audit Findings</b><br>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.                                                    | May 2019      | The interim coverage was less than originally planned.<br>The VFM conclusion risk assessment was used to inform our audit plan |
| <b>Audit Findings Report</b><br>The Audit Findings Report will be reported to the July Audit Committee.                                                                                                                   | July 2019     | Not yet due                                                                                                                    |
| <b>Auditors Report</b><br>This is the opinion on your financial statement, annual governance statement and value for money conclusion.                                                                                    | July 2019     | Not yet due                                                                                                                    |
| <b>Annual Audit Letter</b><br>This letter communicates the key issues arising from our work.                                                                                                                              | August 2019   | Not yet due                                                                                                                    |

# Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# National Audit Office – Pressures on children’s social care

The Local authorities in England have statutory responsibility for protecting the welfare of children and delivering children’s social care. In extreme cases they may use their statutory powers to place children in need on protection plans or even take them into care. Local authorities are also responsible for delivering non-statutory services for all children and young people, such as children’s centres. The Department for Education (the Department) provides statutory guidance on delivering these functions. It also has overall policy responsibility for children’s services, and has the strategic vision that all vulnerable children, no matter where they live, should have access to high-quality support by 2022.

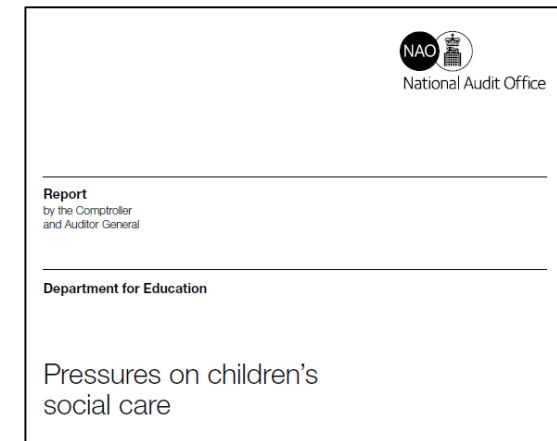
The report sets out recent trends in pressures on children’s social care demand and activity and the response of both national and local government to these pressures. It also sets out analysis the NAO conducted about what is causing variations in children’s social care demand and activity between different local authorities. The report covers:

- the pressures on children’s social care;
- the response of national and local government to increasing demand for children’s social care; and
- NAO analysis of what is causing variations in demand for children’s social care between local authorities.

The report notes that, while the Department has put in place a programme of reform, it still does not fully understand what is driving demand for children’s social care or why there is such wide variation between local authorities in their children’s social care activity and costs. It has not yet done the work to tie together available sources of information and therefore lacks a well-informed pathway to achieve its goal. While the Department has recognised the need for this analysis, it will not complete the work until summer 2019. Even if its analysis is completed successfully it will be a tall order for the Department to achieve its goal within three years.

The report is available on the NAO website:

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>



## NAO Report

### Challenge question:

Has the Council considered the NAO report and how any local variations in demands can be addressed?



# CIPFA – Social Care risk tool

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Directors of Adult Social Services' (ADASS) have updated the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.

The tool's objective is to help authorities assess whether unsustainable financial pressures might be faced by the adult social services department. It seeks to do this by assessing the extent to which various risk factors apply. This is the third version of the risk tool and it has been expanded to include new risks that have emerged since the previous version. In addition, a number of risks have been revised to make them clearer.

The risk assessment adopts a survey format and covers the following areas:

- savings;
- local pressures; and
- culture and relationships.

Each of the areas above includes a series of questions (or indicators), and authorities are required to assess whether the indicators are strongly present (score of 5); only present to some extent (scores 2 to 4); or not at all (score of 1). The total score helps to give an indication of where the authority lies. The maximum score is 195 (there are 39 questions altogether) which represents the highest risk possible. Some of the metrics (particularly those relating to unit costs) are more illustrative than prescriptive and local authorities may wish to adjust these to reflect their local circumstances.

To download the tool:

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>



## CIPFA Social Care risk tool

### Challenge question:

Has the Council completed the Social Care risk tool? Have your Directors shared the results and responses with Members?





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## Audit Committee - Annual Plan

| Committee Date   | Item                                                                                                                                                                                                                                                                                                                                                                                              | Responsible Officer                                                                                                                                                                                                    |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 21 May 2019      | <ul style="list-style-type: none"> <li>External Audit Update (including progress against the 11 recommendations and agreed actions in respect of the Council's 2015/16 financial statements)</li> <li>Annual Governance Statement 2018/19</li> <li>Audit Strategy</li> <li>Audit Charter</li> <li>Annual Internal Audit Report 2018/19</li> <li>Risk Management Annual Report 2018/19</li> </ul>  | <ul style="list-style-type: none"> <li>Grant Thornton</li> <li>Leadership Group</li> <li>County Treasurer</li> <li>County Treasurer</li> <li>County Treasurer</li> <li>County Treasurer</li> </ul>                     |
| 29 July 2019     | <ul style="list-style-type: none"> <li>Doing What Matters Project</li> <li>Audit Findings Report for Devon County Council 2018/19</li> <li>Audit Findings Report for Devon Pension Fund 2018/19</li> <li>Statement of Accounts &amp; Annual Governance Statement 2018/19</li> </ul>                                                                                                               | <ul style="list-style-type: none"> <li>Head of Organisational Development</li> <li>Grant Thornton</li> <li>Grant Thornton</li> <li>County Treasurer</li> </ul>                                                         |
| 14 November 2019 | <ul style="list-style-type: none"> <li>Annual Audit Letter 2018/19</li> <li>External Audit Update</li> <li>Internal Audit Half Year Report 2019/20</li> <li>Internal Audit Follow-Up Report</li> <li>2019/20 Risk Management Mid-Year Update</li> </ul>                                                                                                                                           | <ul style="list-style-type: none"> <li>Grant Thornton</li> <li>Grant Thornton</li> <li>County Treasurer</li> <li>County Treasurer</li> <li>County Treasurer</li> </ul>                                                 |
| 27 February 2020 | <ul style="list-style-type: none"> <li>External Audit Plan– Devon County Council 2018/19</li> <li>External Audit Plan - Devon Pension Fund 2018/19</li> <li>External Audit Update</li> <li>Joint letter to 'management' and 'Those Charged with Governance'</li> <li>Internal Audit Plan 2019/20</li> <li>Control Environment for Devon County Council</li> <li>Risk Management Update</li> </ul> | <ul style="list-style-type: none"> <li>Grant Thornton</li> <li>Grant Thornton</li> <li>Grant Thornton</li> <li>Grant Thornton</li> <li>County Treasurer</li> <li>County Treasurer</li> <li>County Treasurer</li> </ul> |

