

Phil Norrey  
Chief Executive



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

County Hall  
Topsham Road  
Exeter  
Devon  
EX2 4QD

(see below)

Your ref :  
Our ref :

Date : 6 July 2020  
Please ask for : Dan Looker, 01392 382232

Email: [dan.looker@devon.gov.uk](mailto:dan.looker@devon.gov.uk)  
Fax :

## **DEVON AUDIT PARTNERSHIP COMMITTEE**

Tuesday, 14th July, 2020

A meeting of the Devon Audit Partnership Committee is to be held on the above date, at 10.30 am to consider the following matters. This will be a virtual meeting, for the joining instructions please contact the Clerk for further details on attendance.

PHIL NORREY  
Chief Executive

## **A G E N D A**

### **PART I - OPEN COMMITTEE**

- 1 Apologies
- 2 Election of Chair  
The Chair should be held on a rotational basis with each Council having a Member serve alternately for one year. Mid Devon District Council have recently held the Chair and it is therefore Devon County Council's turn to hold the post of Chair for one year from the date of this meeting.
- 3 Election of Vice-Chair  
The Vice-Chair shall be elected from a Council other than that which currently holds the Chair.

- 4        Minutes (Pages 1 - 2)  
Minutes of the meeting held on 10 March 2020, attached.
- 5        Items Requiring Urgent Attention  
Items which in the opinion of the Chair should be considered at the meeting as matters of urgency.
- 6        Devon Audit Partnership - Revenue Outturn Position 2019/20 (Pages 3 - 10)  
Report of the Head of Devon Audit Partnership (CT/20/59), attached.
- 7        Devon Audit Partnership - COVID Update Report (Pages 11 - 14)  
Report of the Head of Devon Audit Partnership (CT/20/60), attached.
- 8        Devon Audit Partnership - Annual Report 2019/20 (Pages 15 - 16)  
Report of the Head of Devon Audit Partnership (CT/20/61), attached
- 9        Future Meetings  
The next meeting is scheduled for 17 November 2020.

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

<b><i>Part II Reports</i></b>
<i>Members are reminded that Part II reports contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s).</i>
<i>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.</i>

**Membership – Comprising two Members from Devon County Council, Plymouth City Council, North Devon Council, Torbay Council, Mid Devon District Council, South Hams District Council, Torridge District Council and West Devon Borough Council**

**County Councillors**

Councillors Clatworthy and Gribble

Torbay, Plymouth, Mid Devon, North Devon, South Hams, Torridge and West Devon Councils

Councillors Heyse, R Loxton, Corvid, L Parker-Delaz-Ajete, P Hackett, B Evans, Hodson, Moore, Austen, Davies, Ewings, Holway, Phillips and Roome

**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.

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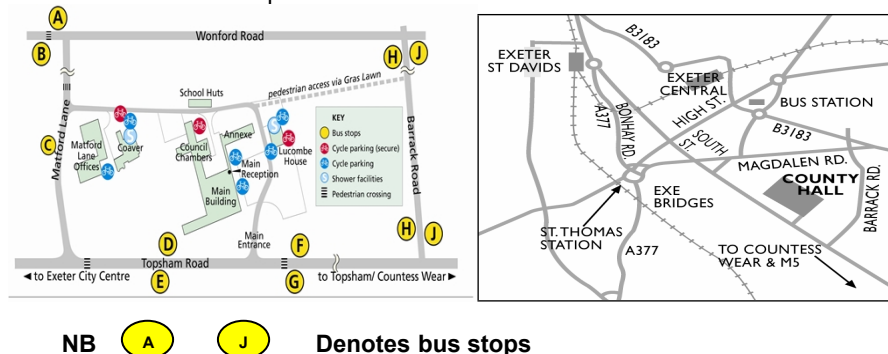
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## **First Aid**

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

## DEVON AUDIT PARTNERSHIP COMMITTEE

10 March 2020

Present:-

Devon County Council:-

Councillor George Gribble

Other Council Representatives

Councillor Robert Loxton, Torbay Council

Councillor Margaret Corvid, Plymouth City Council

Councillor Lorraine Parker-Delaz-Ajete, Plymouth City Council

Councillor Philip Hackett, Torridge District Council

Councillor Bob Evans, Mid Devon District Council

Councillor Andrew Moore, Mid Devon District Council

Apologies:-

Councillors John Clatworthy, Mike Davies, Mandy Ewings and Tom Holway

\* **62**      **Minutes**

**RESOLVED** that the Minutes of the meeting held on 11 November 2019 be signed as a correct record.

\* **63**      **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

**64**      **Nine Month Update Report 2019/20**

The Committee received the Report of the County Treasurer (CT/20/36) summarising the Partnership's activity in the first nine months of 2019/20.

Members noted:

- the continued successful work of the Counter Fraud Team.
- the small operating surplus of £10,000 projected for 2019/20, and the ongoing work to evaluate the impact of Covid-19.
- new business for the Partnership with the contract secured with Plymouth University for their Intereg Circular Seas project and discussions underway with further potential partners for internal audit work.

Members praised the work of DAP staff for the positive update report.

It was **MOVED** by Councillor Evans, **SECONDED** by Councillor Gribble and

**RESOLVED**

that the Committee notes the nine month update report of the County Treasurer.

**65**      **Budget Monitoring 2019/20 - Month 9**

The Committee received the report of the County Treasurer (CT/20/34) monitoring the Budget of the Partnership at month 9, indicating an overall underspend at the year end due to

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increased work undertaken, but this had been offset by the increase in staff to complete the work.

Members noted:

- the small income surplus of £5900.
- a request for further information on the travel lump sum.
- the type of accounting system the Partnership uses being in line with Local Government rather than a limited company.
- Employee costs given the Covid-19 situation. All Partnership staff can work from home, so audits will be able to continue remotely and Skype can be deployed, but there may be some limitations to the work that can be undertaken where clients' offices are closed.
- The County Treasurer advised that is too early to tell the impact of the virus. The Partnership along with all areas of the County Council business are developing contingency plans.

It was **MOVED** by Councillor Gribble, **SECONDED** by Councillor Loxton.

## **RESOLVED**

that the Committee note the projected outturn, variances and reason.

### **66      Devon Audit Partnership Budget 2020/21**

The Deputy Head of Devon Audit Partnership presented the budget for 2020/21, which includes the income expected from North Devon Council joining the Partnership.

Members noted:

- the Partnership is aware of the expected pay award for staff and the impact it will have on payroll related costs.
- the work underway to generate new business.
- year on year income has steadily increased and it is hoped that trend will continue.
- some EU grant funded projects will continue for the next few years. Further down the line there may be a need to replace this funding stream.

It was **MOVED** by Councillor Evans, **SECONDED** by Councillor Gribble and

## **RESOLVED**

that the Committee agrees the proposed budget for 2020/21 and the areas of uncertainty within the budgeted income figure.

### **67      Future Meetings**

The Committee agreed to meetings at 10.30am on 14 July 2020 and 17 November 2020.

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

The Meeting started at 10.30 am and finished at 11.10 am

## DEVON AUDIT PARTNERSHIP - 2019/20 – Revenue Outturn Position Report of the Head of Devon Audit Partnership

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

### Recommendations: That the committee:-

- Note the DAP 2019/20 revenue outturn position.
- Note the DAP balance sheet as at 31 March 2020 and the balances contained
- Note the Accounting Statement at appendix 1, prepared in accordance with the (former) small bodies return format
- Approve the chair to sign the Annual Governance Statement as shown at appendix 2
- Note the Annual Internal Audit Report for 2019/20 shown at appendix 3

### 1. Budget Monitoring – Revenue Outturn Position

- 1.1 The Budget monitoring at month 9 indicated a potential for a slight under spend (£5,000) at the year end. We have now prepared our financial outturn figure and our operating **surplus** has been confirmed at **£8,781**. This is made up of £4,331 with regards our Internal Audit and Risk Management services and £4,450 with regards Counter Fraud Services.
- 1.2 The small operating surplus from Internal Audit and Risk Management was mainly due from undertaking additional work at external clients. There have been some changes between the month 9 projection and year end actual, and these are due to additional costs associated with additional work.
- 1.3 The operating surplus for Counter Fraud work has been mainly due to expenditure being less than budgeted for. This has been the first year that we have worked with the Counter Fraud Team and it is pleasing to note a high degree of control over spending to produce this saving. In future years the Team is expected to deliver further financial savings, either by increasing in come generation or by reducing costs and it is pleasing to note that there does appear to be scope to contain costs below budgeted figures.
- 1.4 The Revenue Outturn position for 2019/20 is as follows:-

#### 1.4.1 Internal Audit & Risk Management

	<b>2019/20 Base Budget</b>	<b>2019/20 Outturn</b>	<b>Variance</b>	<b>Mth 9 Projection</b>
	<b>£</b>		<b>£</b>	
Employees	1,208,200	1,300,042	91,842	1,325,000
Premises	41,000	41,126	126	41,000
Transport	26,000	30,392	4,392	26,000
Supplies & Services	60,800	61,009	209	61,100
Support	21,000	21,140	140	21,000
Income	(1,357,000)	(1,458,040)	(101,040)	(1,480,000)
<b>Total</b>	<b>0</b>	<b>Page 13</b>	<b>(4,331)</b>	<b>(5,900)</b>

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## 1.4.2 Counter Fraud Team

	<b>2019/20 Base Budget</b>	<b>2019/20 Outturn</b>	<b>Variance</b>	<b>Mth 9 Projection</b>
	<b>£</b>		<b>£</b>	
Employees	265,900	241,668	(24,232)	248,400
Transport	1,600	2,342	742	2,000
Supplies, Services & Support	25,200	14,706	(10,494)	16,600
Income	(292,700)	(263,166)	29,534	(271,600)
<b>Total</b>	<b>0</b>	<b>(4,450)</b>	<b>(4,450)</b>	<b>4,000</b>

## 2. Balance Sheet

2.1 We prepare a revised balance sheet each year, which sets out our reserves. Reserves have slightly increased this year (due to the operating surplus) and now stand at a healthy £221k. These reserves belong to our partners, both founding and more recent partners (such as Torridge & Mid Devon). The reserve is allocated as per the partnership agreement, which, in summary, allocates any surplus (or deficit) in relation to the funding provided. For any surplus (or deficit) for Counter Fraud work 50% of the surplus figure is allocated to Plymouth, with the remaining 50% then being allocated across all partners. The reserve and allocations are set out below:-

<b>DAP Balance Sheet as at 31/03/20</b>						
		Pro Rata split by fte as per Partnership Agreement				
	Check	Plymouth	Torbay	Devon	Torridge	Mid Devon
Unrounded per DCC Accounts						
Original set up allocation%	42.38	13.6	11.3	17.48		
New allocation %		32.67	20.32	33.74	4.67	8.6
	£	£	£	£		
Original set up allocation	100,000.00	32,090.61	26,663.52	41,245.87		
Cumulative surplus as at 31/3/19	112,262.20	55,746.32	- 2,741.25	56,839.82	1004.96	1412.35
Current assets and Liabilities	212,262.20	87,836.93	23,922.27	98,085.69	1,004.96	1,412.35
Activity		P0081	P0082	P0083	P0094	P0095
		Plymouth	Torbay	Devon	Torridge	Mid Devon
Surplus 19/20	8,781.52	4,367.16	1,332.24	2,212.10	306.18	563.84
Reserve 31/3/20	221,043.72	92,204.09	25,254.51	100,297.79	1,311.14	1,976.19



## 3 Small Bodies Return

- 3.1 In previous years the committee has received a “small bodies return” which has reported the financial performance of the partnership, provided an Annual Governance Statement and incorporated the views of the Internal Auditor.
- 3.2 The requirement for a small bodies return has been removed, however the return contained some good elements of governance and enabled effective year on year comparisons to take place. For this reason we set out below key information that formed the basis of the return and which, we consider, is "good practice" to continue.
- 3.4 We also provide three appendices that capture the key elements of the return:-
- Appendix 1 – Accounting Statements for 2019/20 – which contains the signature of Mary Davis, the S151 officer of DAP (this should be read in conjunction with the revenue outturn position at section 1)
  - Appendix 2 – Annual Governance Statement – to be approved by the Committee Chair.
  - Appendix 3 – Annual Internal Audit report for 2019/20 as prepared by Chris Gunn of SWAP

Robert Hutchins – Head of Devon Audit Partnership

01 July 2020

Robert Hutchins

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		

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## Appendix 1

### Devon Audit Partnership - Accounting Statement for 2019/20

	Year ending		Notes & guidance
	31 March 2019 (£)	31 March 2020 (£)	
Balances brought forward	185,815	212,262	
+ Income	1,623,471	1,721,206	From partners and clients for all our services
+ other receipts			None for DAP
- staff costs	1,425,600	1,541,710	Salaries, wages, PAYE, NI and pension costs for all employees (Internal Audit & Counter Fraud)
- All other payments	171,424	170,714	
= Balances carried forward	212,262	221,044	
Total cash	106,086	76,368	We have been able to raise invoices promptly in 19/20, enabling a positive cash figure to be achieved. (please note we do not hold a bank account; this is held and administered by Devon CC).
Total fixed assets	0		We do not hold any land, buildings, or substantial fixed assets (out ict is provided by DCC ICT services and not "owned" by DAP).

I certify that for the year ended 31 March 2020 the accounting statements in this annual return present fairly the financial position of the body and its income and expenditure.

Signed by Responsible Financial Officer

**Date**

### Devon Audit Partnership – Annual Governance Statement 2019/20

We acknowledge as the members of Devon Audit Partnership our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2020 that:

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

#### Signed by

Chair

Dated



Abbey Manor Business Centre  
Preston Road  
Yeovil  
BA20 2EN  
Direct Line:  
01935 848541  
Email:  
Chris.gunn@swapaudit.co.uk

30 June 2020

Robert Hutchins  
Devon Audit Partnership

Rob,

Please find attached Internal Audit Summary following completion of the Internal Audit of the 2019/20 Devon Audit Partnership Accounts.

Please pass on my thanks to your staff for their time and commitment in completing the audit process.

Regards

A handwritten signature in black ink, appearing to read 'Chris Gunn'.

Chris Gunn  
SWAP Internal Audit Services

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Unrestricted

## Financial Regulations and Scheme of Delegation

The Partnership Financial Regulations follow those of the Lead Partner and reflect good practice in financial administration.

## Risk Register

The Partnership Strategic and Operational Risk Register was examined and there was clear evidence of periodic review to reflect the changes in the operational environment.

## Budget Management

Budget management procedures were examined and found to be soundly based. The Head of Partnership is well supported by financial services in tracking of the Partnership budget throughout the year. Given the fine balance between income and costs in running the Partnership being able to accurately predict budget outturn is key. Periodic Budget Monitoring reports are produced and performance against the budget is reported to the Devon Audit Partnership Committee.

## Expenditure

From a review of the FIMS system, sample checking of invoices and payments, the internal control framework is satisfactory and that the accounts will fairly represent the transactions of DAP for the 2019/20 financial year.

## Payroll

Tight control of staffing levels is key to the management of costs with the Head of Partnership balancing Partnership staffing with Agency support. Examination of payroll transactions provided assurance that staff costs are effectively managed and correctly charged to the Partnership budget.

## Income

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

The Partnership has sought to carry out client invoicing regularly and promptly in line with audit completion.

## Cash

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

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## **DEVON AUDIT PARTNERSHIP – COVID UPDATE REPORT** **Report of the Head of Devon Audit Partnership**

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

### **Recommendations:**

- i. That members note the actions and response by the Devon Audit Partnership in relation to the Covid 19 crisis.
  - ii. That members note that Internal Audit plans for our partners are likely to be affected from the impacts of Covid 19.
  - iii. That members note the potential risks to the financial position of DAP and the action by Partnership Management to reduce such risks to an acceptable level, whilst still supporting the COVID 19 response when called upon.
- 
1. The Update Report, set out below, separately describes the action taken by Devon Audit Partnership to respond to the Covid 19 crisis.

Robert Hutchins

Electoral Divisions: All  
Local Government Act 1972

### List of Background Papers

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

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

There are no equality issues associated with this report

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## Devon Audit Partnership

### Responding to Covid 19

Update note for Devon Audit Partnership Committee - as at June 2020.

#### 1 Introduction

1.1 This short report provides an update on the position and response of DAP to the Covid 19 crisis..

#### 2. Helping our clients respond to Covid 19

##### 2.1 Deployment

- We prepared a skills / availability matrix of all DAP staff for the purposes of redeployment to other priority services for all our partners. Take up has been relatively low, with only 5 staff deployed to other roles between our partners.

##### 2.2 Operational Support: -

- Head of Partnership operated as Head of Devon CC Food Cell during March and early April, now a much reduced role.
- Other DAP staff supported through a wide range of issues including:
  - food supplies for smaller Care Homes and
  - Assisting the “Shielded”.

#### 3 Internal Audit Response

3.1 We reviewed and revised our approach to the provision of Internal Audit via a new delivery model.



3.2 The focus of the model has been assurance mapping underpinned by the well-known and recognised '3 lines of defence model' to build a more in-depth view of the risk and control framework.



## **4 19/20 Annual Internal Audit - reports and opinions**

4.1 We prepared and issued all our annual reports based on the work completed. We have provided our annual assurance opinion based on this work (and work in previous years) but also included a statement as to the impact of Covid 19 on the control environment.

## **5 Undertaking the agreed plans for 2020/21**

- Work underway as outlined above.
- There has, more recently, been a move back towards more “traditional” audit work, albeit via a remote working approach. This has been possible as partner staff return to the normal duties.
- Greater use of data analysis / data analytics.
- Audit Committees – a number cancelled, but now moving to a “new norm” of virtual meetings via zoom, Teams etc. DAP officers have attended and presented reports to members – varying success, but we expect use to increase and effectiveness to improve

5.1 Audit plans for our partners are likely to suffer from some reduction. We would normally expect to complete one quarter of our plan by end of June, but completion in this first quarter will be impacted (by staff deployment to COVID 19 Support, working to the new model and by audit work being deferred etc). Whilst we would, ideally, like to make up lost time in the rest of the year this may not be achievable, though we still hope to provide a balanced audit opinion. We will recommend to Partner and client Audit Committees (or equivalent) that plans are adjusted to account for the (probable) loss output from Q1.

## **6 Counter Fraud.**

- Counter-fraud staff continue to work on referrals until such time as they are deployed into other roles.
- Advice, guidance and consultancy continues.
- Progressing investigations as far as possible in the absence of face to face interviews and court proceedings taking place.
- Onward notification of national alerts (e.g. NAFN) which have assisted in identifying fraud.

## **7 Risk Management (Devon CC)**

- 7.1 Risk Management working with service leads to:
- Identify new risks, including linked to COVID 19 (Fraud and PPN 2 2020);
  - Update current risks in light of Covid19;
  - Update risks to reflect recovery from pandemic

## **8 DAP Development**

- DAP developed and implemented new approach, see **model above**
- Revised Assurance Opinion to be in line with Cipfa recommended practice
- Staff adjusted effectively to new ways of working, including MS Teams
- Staff completed Personal Development objectives, including on-line training via Business Risk Management Ltd

## **9 Budget issues**

9.1 Each year we start with a (small) surplus of staff to enable us to respond to additional work requests. In 2019/20 such additional requests (over and above work commissioned at 1 April 2019) were £160,000.

9.2 In addition to the above we also use staff from the Temp bank to supplement our core staff. This enables us to “turn up” and “turn down” our resources as required,

# Agenda Item 7

9.3 This “spare capacity” also enables us to respond to tenders for work – we want to be in a position where we have capacity to deliver work (sometimes at short notice); if we do not, then it is likely that our competitors will take this opportunity and the work will be lost from us, potentially for a good number of years.

9.4 However, with the Covid19 Pandemic, there is a risk that additional work requests will be curtailed and will not reach our projected level, thus resulting in a financial hit for DAP in 2020/21.

9.5 To try to manage the potential for overspend DAP management have taken appropriate action to address this. Action planned and taken is as follows:-

Action	Impact (£)
Delay start date of new Audit manager from May to September (ACTIONED)	18,000
<b>Achieved</b> Vacancy saving – one employee left during May. We will hold this vacancy until income figures become more certain.	35,000
No call on Temp staff (already budgeted for)	18,000
<b>Total</b>	<b>71,000</b>

9.6 However, if this is not achieved then it is correct for me to point out that any loss would need to be returned to the Partners in the way that previous years surpluses have accrued.

9.7 We do hold a reserve of circa £200k which is split between the partners. With new partners (North Devon) not yet party to this any loss could be offset against our reserve, and so would not necessarily result in a cost to all partners

## 10 Conclusion

10.1 Covid19 has presented significant challenges to organisations and DAP has adapted to the ever changing and developing situation.

10.2 We have, and continue to, advise and support wherever possible; we have recognised that we will need to deliver our work in different ways.

10.3 The financial risk from reduced additional income has been recognised and we have taken steps to manage this risk to a low and acceptable level.

## 11. Recommendation

11.1 That members note that Internal Audit plans for our partners are likely to be affected from the impacts of Covid 19.

11.2. That members note the potential risks to the financial position of DAP and the action by Partnership Management to reduce such risks to an acceptable level, whilst still supporting the COVID 19 response when called upon.

Robert Hutchins  
Head of Devon Audit Partnership  
June 2020.

## **DEVON AUDIT PARTNERSHIP ANNUAL REPORT 2019/20** **Report of the Head of Devon Audit Partnership**

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

- i. That members note the progress made by the Devon Audit Partnership during the period the 2019/20 financial year.
  - ii. That members note the continued high level of customer satisfaction achieved by the Partnership.
1. The Update Report, available separately, describes the performance of Devon Audit Partnership during the period the financial year 2019/20 and some of the key achievements during this period.

Robert Hutchins

Electoral Divisions: All  
Local Government Act 1972

### List of Background Papers

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

There are no equality issues associated with this report

