

Friday, 14 July 2023

AUDIT COMMITTEE

A meeting of **Audit Committee** will be held on

Wednesday, 26 July 2023

commencing at **2.00 pm**

The meeting will be held in the Meadfoot Room, Town Hall, Castle Circus,
Torquay, TQ1 3DR

Members of the Committee

Councillor Brook (Chairman)

Councillor Bryant

Councillor Law

Councillor Fellows

Councillor Long

Councillor Hutchings

Councillor Penny (Vice-Chair)

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Governance Support, Town Hall, Castle Circus, Torquay, TQ1 3DR

Email: governance.support@torbay.gov.uk - www.torbay.gov.uk

AUDIT COMMITTEE AGENDA

1. **Apologies**

To receive any apologies for absence, including notifications of any changes to the membership of the Committee.

2. **Declarations of interests**

- (a) To receive declarations of non pecuniary interests in respect of items on this agenda

For reference: Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

- (b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda

For reference: Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(Please Note: If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)

3. **Urgent Items**

To consider any other items that the Chairman decides are urgent.

4. **Treasury Management Outturn 2022/23 Report**

To consider a annual report on the treasury management activities undertaken during the year 2022/23, which were compared to the 2022/23 Treasury Management Strategy.

(Pages 4 - 16)

5. **Internal Audit - Annual Audit Report 2022-23**

To consider a report that reviews the work undertaken by Internal Audit during 2022/2023, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

(Pages 17 - 44)

6. **Interim Auditors Annual Report on Torbay Council 2021/22 and 2022/23**

To consider a report on the above.

(Pages 45 - 85)

7. **Annual Governance Statement 2022/2023**

To consider a report on the preparation of the Annual Governance

(Pages 86 - 110)

Statement which provides the opportunity for the organisation to review its processes, controls and objectives and to provide assurance to Members, Senior Officers and stakeholders as to the reliability of the Council's Statement of Accounts and the probity of its operations.

- 8. Torbay Council Audit Progress Report and Sector Update** (Pages 111 - 128)
To note a report that provides an update on progress made by Grant Thornton in delivering their responsibilities as the Council's external auditors.
- 9. Torbay Council's Risk Management Update Report** (Pages 129 - 146)
To consider a report that provides an update on the Council's current risk position and risk management arrangements.
- 10. Risk Assurance Report for Our Integrated Adult Social Care Services** (Pages 147 - 163)
To consider a report on the above.

Meeting: Audit Committee

Date: 26th July 2023

Wards affected: All Wards in Torbay

Report Title: Treasury Management Outturn 2022/23 Report

Cabinet Member Contact Details: Councillor Alan Tyerman, Cabinet Member for Finance, alan.tyerman@torbay.gov.uk

Director/Assistant Director Contact Details: Malcolm Coe, Director of Finance Malcolm.coe@torbay.gov.uk and Pete Truman, Principal Accountant, pete.truman@torbay.gov.uk

1. Purpose of Report

- 1.1 This report is to provide members with an annual report on the treasury management activities undertaken during the year 2022/23, which is compared to the 2022/23 Treasury Management Strategy.

2. Reason for Proposal and its benefits

- 2.1 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report

3. Recommendation(s) / Proposed Decision

That the Audit Committee recommends to Council :

- i) **That the Treasury Management decisions made during 2022/23, as detailed in the submitted report be noted; and**
- ii) **That the increases to limits within the Treasury Management Strategy 2023/24 as set out below be approved:**

	Strategy 2023/24	Recommended Change 2023/24
Limit on principal invested beyond year end (Treasury Management Strategy section 7)	£20M	£40M

	Strategy 2023/24		Recommended Change 2023/24	
	Counterparty Limit	Sector Limit	Counterparty Limit	Sector Limit
Strategic Pooled Funds (Treasury Management Strategy Appendix 3, Table 9)	£10M	£20M	£10M	£30M

Appendices

Appendix 1: Economic Commentary

Background Documents

Treasury Management Strategy 2022/23

Supporting Information

1. Introduction

- 1.1 In March 2023 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.
- 1.2 The Council's treasury management strategy for 2022/23 was approved by Council at a meeting on 3rd March 2022. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

2. External Context

- 2.1 An economic commentary for the year provided by the Council's treasury management advisors, Arlingclose, is provided at Appendix 1 to this report. Bank Rate was raised from 0.75% to 4.25% at regular steps through the year as inflation levels rose sharply and remained persistently high.

3. Local Context

- 3.1 On 31st March 2023, the Council had net borrowing of £284m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary (subject to finalisation and audit)

	31.3.23 Actual £m
Total CFR	428
Less: *Other debt liabilities	(15)
Borrowing CFR	413
External borrowing	385
Internal borrowing	28
Less: Usable reserves	(96)
Less: Working capital and other cash backed balance sheet items	(23)
Net treasury position	294

* PFI liabilities that form part of the Council's total debt

- 3.2 The Council pursued its strategy of keeping borrowing and investments below their underlying levels (i.e. using internal cash resources in place of borrowing), sometimes known as internal borrowing, to reduce risk and interest costs.
- 3.3 The treasury management position on 31st March 2023 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.22 Balance £m	Movement £m	31.3.23 Balance £m	31.3.23 Rate %
Long-term borrowing*	389	(4)	385	2.98
Short-term borrowing	0.0	0.0	0.0	0.0
Total borrowing	389	(4)	385	2.98
Long-term investments*	(5)	(10)	(15)	4.02
Short-term investments	(107)	32	(75)	3.88
Cash and cash equivalents	(4)	3	(1)	1.49
Total investments	(116)	25	(91)	3.76
Net position	273	21	294	3.13

*Long term investments include the CCLA Property Fund at market valuation.

4. Borrowing Update

- 4.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield.
- 4.2 The Council has reviewed its capital programme in light of changes to the CIPFA Prudential Code and PWLB lending arrangements to ensure that borrowing to invest primarily for commercial return is no longer undertaken.
- 4.3 At 31st March 2023 the Council held £385.2m of loans, (a decrease of £3.7m to the 31st March 2022 position) as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.22 Balance £m	Net Movement £m	31.3.23 Balance £m	31.3.23 Weighted Average Rate %	31.3.23 Weighted Average Maturity (years)
Public Works Loan Board	378.9	(3.7)	375.2	2.941	26.3
Banks (LOBO)	5.0	-	5.0	4.700	56.6
Banks (fixed-term)	5.0	-	5.0	4.395	52.5
Total borrowing	388.9	(3.7)	385.2	2.983	27.8

- 4.4 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 4.5 In keeping with these objectives, no new borrowing was undertaken, while £3.7m of existing loans were allowed to mature without replacement. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
- 4.6 LOBO loans: The Council continues to hold a £5m LOBO (Lender's Option Borrower's Option) loan where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The lenders option does not become due until 2028.

5. Other Debt Activity

- 5.1 After £0.93m repayment of prior years' Private Finance Initiative liabilities, total debt other than borrowing stood at £15.0m on 31st March 2023, taking total debt to £400.2m

6. Treasury Investment Activity

- 6.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use during business.
- 6.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment

balances ranged between £84 million and £131 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.22 Balance £m	Net Movement £m	31.3.23 Balance £m	2022/23 Income Return %	2022/23 Weighted Average Maturity days
Banks & building societies (unsecured)	17.2	(11.4)	5.8	1.50	15
Government (incl. local authorities)	77.0	(9.0)	68.0	1.77	223
Money Market Funds	12.6	(4.1)	8.5	2.13	1
Other Pooled Funds:					
- <i>Cash plus fund</i>	4.0	-	4.0	2.40	
- <i>Property fund</i>	5.5	(0.9)	4.6	4.45	
Total investments	116.3	(25.4)	90.9	1.91	

- 6.3 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.4 Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April, rose by around 3.5% for overnight/7-day maturities and 3.3% for 6-12 month maturities.
- 6.5 By end March 2023, the rates on DMADF (government) deposits ranged between 4.05% and 4.15%. The return on the Council’s sterling Low Volatility Net Asset Value (LVNAV) Money Market Funds ranged between 0.5% - 0.6% p.a. in early April and between 4.0% and 4.2% at the end of March.
- 6.6 The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.06.2022	3.56	AA	27%	83	1.01

31.03.2023	4.67	A+	17%	186	3.65
Similar LAs	4.84	A+	60%	64	3.77
All LAs	4.71	A+	59%	12	3.66

- 6.7 Fixed deposits were made throughout the year at each rise in Bank Rate, predominantly with the DMADF for three to six months duration. A number of slightly longer dated deposits (up to one year) were also transacted with other local authorities.
- 6.8 Exposure to the Banking sector was limited to ease credit risks and at the end of the year concerns of a banking crisis led Arlingclose to recommend reducing all banking counterparty durational limits to 35 days. The Director of Finance concurred with this advice and the limit remains in place.
- 6.9 During March 2023 interest rates looked to be peaking and two 2-year deals were taken with local authorities to provide some protection against potentially falling rates. While forecasts have reversed since then these deals remain strategically useful in providing a base return over the longer term.
- 6.10 Remaining funds were substantially kept liquid to enable the Council's policy of internal borrowing and in anticipation of future rate rises. At outturn the actual capital spend was well below the original plan contributing to the continuing higher than forecast cash balance.
- 6.11 **Externally Managed Pooled Funds:** £5m of the Council's investments are invested in an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an income return of £0.23m (4.45%) and an unrealised capital loss of £0.9m (12.87%).

7. Non-Treasury Investments

- 7.1 The definition of investments in CIPFA's revised Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) or for commercial purposes (made primarily for financial return).
- 7.2 The outturn position of the Council's non-treasury investments will form part of the Statement of Accounts 2022/23 and will be reported with the usual level of detail within the Treasury Management 2023/24 mid-year review.

8. Treasury Performance

- 8.1 The financial performance of the Council's treasury management activities in terms of its impact on the revenue budget is shown **Page 16** below.

Table 6: Performance

As at 31 st March 2023	Budget 2022/23	Outturn 2022/23	Variation
	£M	£M	£M
Investment Income	(0.4)	(2.2)	(1.8)
Interest Paid on Borrowing	12.2	11.5	(0.7)
Net Position (Interest)	11.8	9.3	(2.5)
Minimum Revenue Provision (excl. PFI)	6.9	6.9	(0.0)
Net Position (Other)	6.9	6.9	(0.0)
Net Position Overall	18.7	16.2	(2.5)

9. Compliance

- 9.1 The Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific limits is demonstrated in table 7 below.

Table 7: Debt Limits

	2022/23 Maximum	31.3.23 Actual	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied? Yes/No
Borrowing	£388.9m	£385.2m	£530m	£620m	Yes
PFI & Finance Leases	£16.0m	£15.0m	£20m	£20m	Yes
Total Debt	£404.9m	£400.2m	£550m	£640m	Yes

- 9.2 **Treasury Management Indicators:** The Council measures and manages its exposures to treasury management risks using the following indicators.

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating/credit score of its investment portfolio. The credit score is calculated by applying a value to each investment (AAA=1, AA+=2, A=6 etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.23 Actual	2022/23 Target	Complied?
Portfolio average credit rating (score)	A+ (5)	A (6)	Yes

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling one-month period, without additional borrowing.

	31.3.23 Actual	2022/23 Target	Complied?
Total cash available within one month	£19M	£10M	Yes

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	31.3.23 Actual	2022/23 Limit	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	(£241,000)	£300,000	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£241,000	£300,000	Yes

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.3.23 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	1%	40%	0%	Yes
12 months - within 24 months	2%	40%	0%	Yes
24 months and within 5 years	3%	30%	0%	Yes
5 years and within 10 years	12%	40%	0%	Yes
10 years and within 20 years	15%	50%	0%	Yes
20 years and within 30 years	10%	60%	0%	Yes
30 years and within 40 years	36%	50%	0%	Yes
40 years and over	21%	50%	0%	Yes

Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the Authority’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2022/23	2023/24	2024/25
Actual principal invested beyond year end	£15m	£10m	£5m
Limit on principal invested beyond year end	£20m	£20m	£20m
Complied?	Yes	Yes	Yes

10. Other

10.1 **IFRS 9:** The DLUHC published a consultation on the IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds which was due to expire with effect from 2023/24. The options under evaluation were to allow the override to lapse, to extend it, or to make it permanent. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years. Under the Regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds, that otherwise must be recognised in profit or loss under IFRS 9, are not charges to the revenue account, and must be taken into an unusable reserve account.

10.2 **Change to approved investment limits 2023/24:** Changes in the interest rate environment and outlook have prompted an increase in longer dated deposits. The Director of Finance, in consultation with Arlingclose, also sees value in increasing the Council’s exposure to longer term strategic investments. The limits set by the Treasury Management Strategy 2023/24 will not facilitate these measures and the following changes to the Strategy limits are recommended:

	Strategy 2023/24	Recommended Change 2023/24
Limit on principal invested beyond year end (Treasury Management Strategy section 7)	£20M	£40M

	Strategy 2023/24		Recommended Change 2023/24	
	Counterparty Limit	Sector Limit	Counterparty Limit	Sector Limit
Strategic Pooled Funds (Treasury Management Strategy Appendix 3, Table 9)	£10M	£20M	£10M	£30M

Economic Commentary (provided by Arlingclose, April 2023)

Economic background: The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.

The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.

The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.

Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.

The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary

pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.

From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

Financial markets: Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

Credit review: Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

In July Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.

The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.

Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as

fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree of caution is merited with certain authorities.

Internal Audit

Annual Audit Report
2022-23

Torbay Council
Audit Committee

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July 2023

Official

CUSTOMER
SERVICE
EXCELLENCE



CSE



devon **audit** partnership

Tony Rose
Head of Devon Audit Partnership

Lynda Sharp-Woods
Audit Manager

Auditing for achievement

Agenda Item 5

Introduction

The Audit Committee, under its Terms of Reference contained in Torbay 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 2022/23 was presented and approved by the Audit Committee in March 2022. The following report and appendices set out the background to audit service provision; any updates to the agreed plan; a review of work undertaken in 2022/23 and provides our 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;
- changes to the plan and 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 Senior Leadership Team, 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.

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Overall Opinion Statement

Based on work performed during 2022/23, our experience from previous years, the outcome of the Annual Follow Up exercise (as separately reported) and the findings of the first phase of the Assurance Mapping exercise, the Head of Internal Audit's Opinion on the adequacy and effectiveness of the Authority's internal control framework is one of "Reasonable Assurance".

Our audit planning process is both risk based and agile, as such our resources, and consequently our annual report will inevitably focus upon higher risk areas.

This opinion statement provides Members with an indication of the direction of travel for their consideration for the Annual Governance Statement see appendix 4. Assurance over arrangements for adult social care is mainly provided by colleagues at Audit South West, the Internal Audit provider for Health Services. They provide a letter and statement of assurance to the Council which is separately shared with Audit Committee.

The Authority's internal audit plan for 2022/23 included specific assurance, risk, governance, and value-added reviews which, together with prior years audit work, provided a framework and background within which we assessed the Authority's control environment.

The reviews in 2022/23 have informed the Head of Internal Audit's Opinion. If significant weaknesses have been identified, these will need to be considered by the Authority in preparing its Annual Governance Statement as part of the 2022/23 Statement of Accounts. In carrying out 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 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.

This statement of opinion is underpinned by:

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 economical, effective, and efficient use of resources, compliance with established policy, procedure, law and regulation; and safeguard the Council's assets and interests from losses of all kinds. Core financial and administrative systems were reviewed by Internal Audit.

The Council's overall internal control framework is considered to have operated effectively during the year. Where internal audit work has highlighted instances of non or part compliance, none are understood to have had a material impact on the Authority's affairs.

In some areas we are still seeing the ongoing impact of Covid-19 measures that have resulted in a significant level of challenge to the Council and put pressure on the expected control environment; the need for prompt and urgent action by officers has required changes to some procedures and control arrangements. In respect of this report, it has not been possible to fully quantify the additional risk that may have arisen from such emergency and associated measures or fully determine the overall impact on the framework of governance, risk management and control.

Risk Management

We are aware that Risk Management has significantly developed within the Performance and Risk Framework (PRF) and that the strategic risks have been reset following a risk workshop with SLT.

The audit of this area is planned for 2023-24 to allow for the ongoing embedding of new practices. However, we maintain involvement through DAP's Risk Management arm when support is requested. PRF continues to be reported to Senior Leadership Team (SLT) and Audit Committee. We note that from April 2023 these are also reported to Overview and Scrutiny. The ongoing Covid-19 response continues to present financial and service risks.

Governance Arrangements

Arrangements are generally reviewed within our Project Assurance provision. As described in the Business Case, there is opportunity to further broaden a formal Portfolio Management role.

The Information Governance Steering Group provides overarching governance in relation to information security, cyber governance, management, and compliance,

Finance, Ethics and Probity (FEP) maintain governance over issues within their remit.

Performance Management

As detailed under Risk Management, the Performance Framework has seen significant development, with monitoring arrangements continuing, and includes outcome mapping and business planning.

Irregularity and whistleblowing complaints, alongside the work of the Corporate Fraud Officer are also reported to Audit Committee.

Budget performance is monitored by SLT and full Council.

Children's Services Sufficiency Strategy and Medium-Term Financial Plan (MTFP) are monitored by SLT.

Substantial Assurance	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.	Limited Assurance	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved
Reasonable Assurance	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.	No Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

Summary Assurance Opinions

Service Area Overview of Audit Coverage				
Corporate and Financial Services	Pride in Place	Children's Services	Adult Services including Community and Customer Services	Public Health
ICT Audits: ICT Key Financial Systems; Cyber Security Covid Response Audits (x3) Legal Services - Cross Council Use of Legal Advice Key Financial Systems: GL and Bank Rec; Creditors & POP; Payroll; Benefits and CT support; FIMS Sys Admin; Asset Register; Treasury Management; IBS Sys Admin; Income Collection; Corporate Complaints system Change, Problem and Incident Management Covid Response Audits (x9) Key Financial Systems: Council Tax and NNDR; Civica W2 System Admin; Debtors & Corporate Debt Apprenticeship Levy Coroners Business Improvement and Change IG Steering Group Covid Grant Certification (x4) HB Subsidy Assurance Mapping	Harbour Mooring System Contract Monitoring Public Toilets Contract Monitoring Torbay Harbour Authority ICT Asset Management / TF System Parking Port Marine Safety Code Bus Subsidy Grant x2 Home to School Grant Travel Demand Management Grant Local Transport Capital Block Grant Local Growth Fund (EPIC) Grant Local Growth Fund (Torquay Gateway) Grant Local Growth Fund (Torbay Business Centre) Grant	CP Planning and Conference Young Devon Contract Monitoring Recruitment, Retention and Learning Academy QA and Audit Framework Schools Financial Value Standards (SFVS) Maintained Schools Audit Programme Virtual School (PEP Process) Troubled Families Grant (x4) School Condition Allocation Grant Basic Need Funding Grant	Client Debt Monitoring Precept Use Vulnerable Renters	0-19 Service Commissioning and Performance Management Universal Drug Grant Adult Weight Management Services Grant (x2)

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Key: **Green** = Substantial or Reasonable

Amber = Limited

Red = No Assurance

Blue = Opportunity or Value Added

Assurance Map

This is Phase 1 of the assurance mapping exercise and represents the work that was completed in the days commissioned in the 2022-23 Audit Plan. It should be noted that the results are based on the managers own assessment of their area.

Phase 2 would seek to map the remainder of the Council and verify the managers assessment with the Council's second line of defence. The Map thus far has enabled the identification of some trends and common themes.

Torbay Council - Assurance Map - Functional Areas			Corporate Governance / Audit Committee											Senior Management							Independent Assurance - 3rd line							Regulators							External audit								
The key risks for this service / area may be defined in the services risk register. Otherwise use the Risks from the work programme in MKI together with the associated assurance opinions to assess and score control and assurance elements of this assurance map.			Business Operation - 1st line								Financial, Corporate and Governance - 2nd line											Independent challenge & audit. Reporting on assurance. Audit of assurance providers. Exit level assurance.							Legal, Government other inspection and							External audit							
			Identifying risks and improvement actions. Implementing controls.				Reporting on progress. Management assurance				Assurance oversight, management and financial policies, setting direction, risk management, ensuring compliance.											RAG RAG RAG RAG RAG RAG RAG																					
			Internal Control Measures				Management controls																																				
Departments/Services	Critical Area	Responsible Officer	1	2	3	4	5	6	7	1	2	3	4	5	6	7	8	1	2	3	4	5	6	7	8	9	10	11	1	2	3	4	5	6	7	1	2	3	4	5	6	7	
Whole Council		Anne-Marie Bond																																									
Chief Executive Support		Susan Wiltshire																																									
HR Business Services - Payroll and Pensions	H	Tania Hutchings/Lee Haywood	G	G	G	G	G	G	G	G	G	G	G	G	G	G	A	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G						
HR Operational	H	Gila Wilson	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	Reasonable					
HR Policy, OD and Wellbeing	H	Jo Sandbrook	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	Limited					
HR Specialist Services - Pay/Reward/Job Evaluation	H	Julia Baldie	A	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	Reasonable					
Governance Support		Jane Gurry	G	G	G	G	G	G	G	G	G	G	G	G	G	G	A	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G					
Democratic Services	H	Teresa Buckley	G	G	G	G	G	G	G	G	G	G	G	G	G	G	A	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G					
Torbay Lottery - outsourced to Gathenwell Limited, overseen by Democratic Services	L	Teresa Buckley	G	G	A					G	A	G	G	G	G																							G					
Corporate Services		Matthew Fairclough-Kay	G	G	G	G	G	G	G	G	G	G	G	G	G	G	A	A	G	N/A	N/A	G	G																Reasonable				
Business Improvement and Change	H	Lisa Chittenden	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G						
Libraries (outsourced to Libraries Unlimited)	M	Matthew Fairclough-Kay	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	A		G	G	G																			
Coroner (shared service since 2013) - PCC/DCC/TC. PCC are the lead	H	Matthew Fairclough-Kay/Philip Taylor	G	G	G	G	G	G	G	A	G	G	G	G	G	G	A	G	G	G		A	G	G	G															Limited			

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Torbay Council - Assurance Map - Functional Areas

 The key risks for this service / area may be defined in the services risk register. Otherwise use the risks from the work programme in MKI together with the associated assurance opinions to assess and score control and assurance elements of this assurance map.			Corporate Governance / Audit Committee																Senior Management							Regulators							External audit																									
Departments/Services	Critical Area	Responsible Officer	Business Operation - 1st line								Financial, Corporate and Governance - 2nd line								Independent Assurance - 3rd line							Regulators																																
			Internal Control Measures				Management controls																																																			
			1	2	3	4	5	6	7	1	2	3	4	5	6	7	8	1	2	3	4	5	6	7	8	9	10	11	1	2	3	4	5	6	7	1	2	3	4	5	6	7																
Childrens Services		Nancy Meehan																																																								
Children's Safeguarding		Becky Thompson																																																								
Front Door	High	Ellie Clerk/Brenda Nakamyia	G	G	G	G	G	G	G	G	G	G	A	G	G	G	G	G	N/A	G	G	G	G	G	G	G	N/A	N/A	G	G	G	G	N/A		G	N/A	N/A																					
Operational	High	Brenda Nakamyia/Mimi Taylor	G	G	G	G	G	G	G	G	G	G	A	G	G	G	G	G	N/A	G	G	G	G	G	G	N/A	N/A	G	G	G	G	N/A		G	N/A	N/A																						
Regulated Services incorporates placement and commissioning elements of wider CS.	High	Colin Shumaker/Kellie Gosney/Gina Powell (meet together)	G	G	G	G	G	G	G	G	G	G	A	G	G	G	G	G	N/A	G	G	G	G	G	G	N/A	N/A	G	G	G	G	N/A	Limited	G	N/A	N/A	N/A	N/A	N/A	N/A	N/A																	
Safeguarding, Early Help, Business Intelligence, and Performance	High	Shaun Evans/Emma Thomas/Lisa Pitches/Matt Gifford (meet separately include Shaun in all meetings)	G	G	G	G	G	G	G	G	G	G	A	G	G	G	G	G	N/A	G	G	G	G	G	G	N/A	N/A	G	G	G	G	N/A	Reasonable	G	N/A	N/A																						
Business Support	High	Becky Thompson/Matt Gifford/Mark Richards - meet together	A	G	G	G	G	G	A	G	G	G	G	G	G	N/A	G	G	N/A	G	G	N/A	N/A	N/A	N/A	N/A	N/A	N/A	G	N/A	G	N/A		G																								
Learning Academy (also includes a QA function which covers whole of children services)	High	Rachael Setter/Louisa Jones	G	G	G	G	A	G	G	G	G	A	G	G	G	G	G	G	N/A	G	G	A	G	G	G	N/A	N/A	G	G	G	N/A	G	Substantial	G		G																						
Education, Learning and Skills		Rachael Williams																																																								
Vulnerable Pupils	High	Dan Hamer	A	A	N/A	G	G	G	G	G	G	G	G	G	N/A	G	G	N/A	G	G	G	G	G	G	N/A	N/A	N/A	G	G	N/A	N/A		G	N/A																								
Early Years	High	Sheena Wright/Emma Kerridge	G	G	G	G	G	G	G	G	G	A	A	G	A	G	G	N/A	G	G	G	G	G	G	N/A	N/A	N/A	G	G	N/A	N/A	Substantial	G	N/A														G										
SEN and Disabilities	High	Hannah Spencer/Rachael Williams	G	A	G	G	A	A	A	G	A	A	A	G	A	G	G	N/A	G	G	G	G	G	G	N/A	N/A	N/A	N/A	G	G	N/A	Reasonable	G	N/A																								
Virtual School	High	Jane Inett	A	A	N/A	G	G	A	G	G	G	G	A	G	G	G	G	N/A	G	G	G	G	G	G	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Limited	G	N/A																								

Torbay Council - Assurance Map - Functional Areas

			Corporate Governance / Audit Committee											Senior Management							Regulators																																			
			Business Operation - 1st line								Financial, Corporate and Governance - 2nd line											Independent Assurance - 3rd line							Regulators																											
			Identifying risks and improvement actions. Implementing controls. Reporting on progress. Management assurance				Assurance oversight, management and financial policies, setting direction, risk management, ensuring compliance.				Independent challenge & audit. Reporting on assurance. Audit of assurance providers. Entity level assurance.							Legal, Government other inspection and																																						
			Internal Control Measures				Management controls															RAG																																		
Departments/Services	Critical Area	Responsible Officer	1	2	3	4	5	6	7	1	2	3	4	5	6	7	8	1	2	3	4	5	6	7	8	9	10	11	1	2	3	4	5	6	7	1	2	3	4	5	6	7														
Public Health (most are commissioned services)		Lincoln Sargeant																																																						
Public Health Improvement	M	Ian Tyson	G	G	G	A	G	G	G	G	G	G	G	G	G	G	G		G	G	G		G		G		G																													
Health Care Public Health	M	Julia Chisnell																																																						
Health Protection	H	Julia Chisnell	G	G	G	N/A	G	N/A	N/A	G	G	G	G	G	G	A	N/A	N/A	G	G	G	N/A	G	N/A	G	G	G										A		A																	
Partnerships - to deliver joint strategies e.g. Community Engagement	M	Bruce Bell	G	G	G	G	G	N/A	N/A	G	G	G	G	G	G	N/A	G	N/A	G	G	G	G	G		G		G																													
Place																																																								
Planning, Housing, and Climate Emergency		David Edmondson																																																						
Development Management	H	Wendy Ormby	A	A	A	G	G	G	G	G	G	A	A		G	G	A	A		G		G		A																																
Employment		Wendy Ormby	A			A	A		A	A	G	A	A		G	G		A		G		G		A																																
Technical Support to Planning Function	H	Mark Irving	A	A	G	G	G	G	G	A	A	A	A		G	G	A	A		G		G																																		
Section 106	H	Mark Irving	A	A	G	A	G	G	G	A	A	A	A		G	G	G	G		G		G																																		
Land Charges	H	Mark Irving	A	G	G	A	G	G	G	A	A	A	A		G	G	G	G		G		G																																		
Land Charges	H	Mark Irving	A	A	G	G	G	G	A	A	A	A	A		G	X	A	A		G																																				

- The Institute of Internal Auditors provides a summary of the benefits of Assurance Mapping:
- An assurance map brings an organisations risk appetite to life. At the same time as highlighting assurance gaps, it also shows where there is duplication or too much assurance. It is a simple way of aligning assurance resource, risk, and internal control.
 - It improves awareness of the control environment by looking across the organisation rather than at individual reports which can lead to siloed thinking.
 - It drives positive behaviours by enabling robust discussions about risk, educating on the value of assurance and aiding collaboration between functions.

- Collectively, the assurance community of an organisation often has a more powerful voice when it works together; an assurance map is a practical platform benefiting all parties.

To fit the assurance map into the document below we have removed column headings and replaced with them reference digits. For the purposes of cross reference, a list of column headings against the substitute numbers has been defined.

The following page sets out the details of the column headings linked to the references above.

Original Column Headings from the Full Assurance Map

First Line of Defence - Internal Control Measures	<ol style="list-style-type: none"> 1. IT Systems: Administration Access Standing Data Updates 2. Data Quality: Input/Output/Accounting/Arithmetic 3. Fraud: Prevention/Detection 4. Authorisation 5. Supervisory 6. QA Activities 7. Separation of Duties 	First Line of Defence - Management Controls	<ol style="list-style-type: none"> 1. Governance: Strategies, business plans, policies, procedures 2. Governance: Organisations structure, reporting lines, delegated responsibilities 3. Monitoring: Management information 4. Personnel: Staffing levels, competencies, training, performance 5. Resilience: Business Continuity Plans and testing 6. Risk Registers 7. Performance: Measures, indicators, benchmarking 8. Supply chain: Third party, partner resilience, contracts
Second Line of Defence	<ol style="list-style-type: none"> 1. Finance: Budget Monitoring; Reconciliations; Reporting; Statutory Returns 2. Compliance: H&S 3. Compliance: Emergency Planning 4. Compliance: Information Governance/Complaints 5. Security: IT Systems 6. Security: Physical Security 7. Corporate Governance: Strategy and Policy Development 8. Committee Oversight 9. Project Boards 10. Risk Management 11. Other 	Third Line of Defence	<ol style="list-style-type: none"> 1. Accreditation: e.g., ISO9001/27001 2. Compliance: Security, resilience, quality 3. ICT: Pen testing, resilience, compliance 4. Peer/Strategic Partner Reviews 5. Consultant Reviews 6. Other third-party reviews 7. Internal Audit

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Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can.

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.

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

Our work has identified specific added value benefits in key areas and in mitigating key risks. Notable benefits have been reported in the following areas.

Corporate Services and Financial Services

- Page 25
- Ongoing engagement in Business Improvement and Change programmes and projects.
 - We provide relevant information and practices from Local Government articles and guidance.
 - Administrative support to Finance, Ethics and Probitry Group.
 - Attendance at and support to the Council's Information Governance Steering Group.
 - Support to the Council's Data Protection Officer in the provision of Freedom of Information (FOI) and Subject Access Request (SAR) data.
 - Advice prior to implementation in relation to the expected controls to support the Housing Support Fund scheme.
 - Identification of a significant overpayment of Housing Support Fund.
 - Completion of additional prior year Housing Benefits subsidy testing.
 - ICT horizon scanning, including identification of available grant monies for Cyber defences; Cyber-attack simulation tools; and IE11 retirement considerations.
 - Drafting of a Business Case to support a formal Portfolio Management role across the Council.
 - Support to a Risk Management presentation and workshop with SLT and the Risk Manager.

- Phase 1 assurance mapping to support the annual governance statement and risk management development.
- Quarterly meetings with Counter Fraud.

Place

- Annual Port Marine Safety Code compliance audit.
- In addition to the planned grant work, inclusion of the Local Growth Fund Grant (Torquay Gateway, EPIC and Torbay Business Centre) certifications.
- Flexibility around completion of the prior year Grants –
 - Home to school and College.
 - Travel Demand Management.
 - Bus Subsidy.
- Evaluation of the Harbour system functionality.

Children's Services

- Engagement with the Liquid Logic project post go-live.
- Quarterly certification of Troubled Families grants.
- Worked with the service to audit the Troubled Families Q4 re-submission to ensure the deadline was met and funding loss avoided.

Covid-19 Response

- Changes to the plan to accommodate grant certification.
- Additional grant certification for Test and Trace Support payments.

Schools

- The SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2022/23 was submitted to the Department for Education.
- Completion of all maintained Schools Audits as planned.

Audit Coverage and performance against plan

The pie charts right show the breakdown of the 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.

The Summary Assurance Opinions table on page 3 provides details of the audits undertaken in 2022-23. Where a 'Substantial' or 'Reasonable' standard of audit opinion has been provided we can confirm that overall, sound controls are in place to mitigate exposure to risks identified.

Appendix 1 to this report provides a summary of the Limited Assurance audits undertaken during 2022-23.

Where an opinion of "Limited assurance" 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. We are content that management are appropriately addressing these issues.

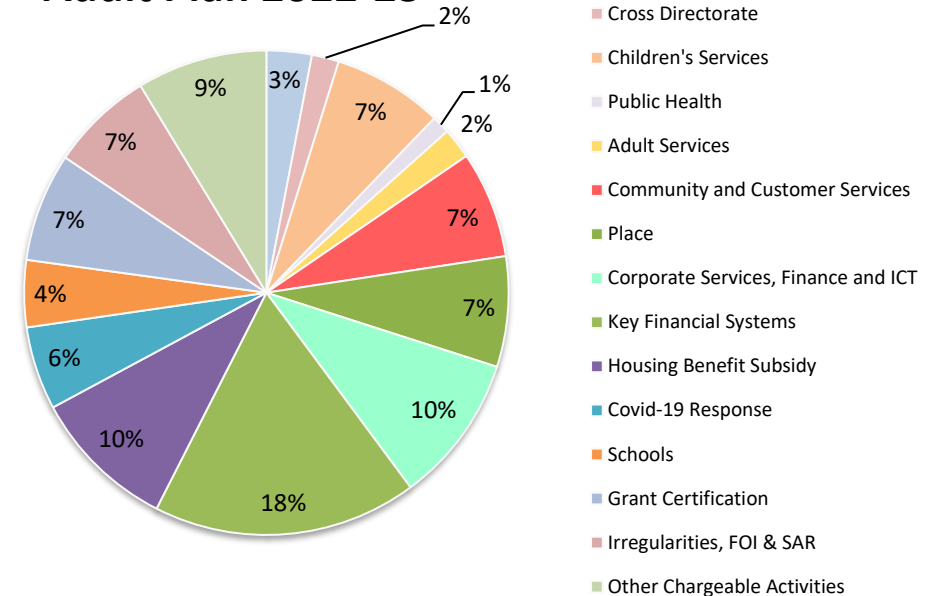
Appendix 6 shows the performance indicators for audit delivery in 2022/23. It will be noted that there was a small increase in the total number of audit days that we provided during the year.

When we prepare our plans, we assess the number of days that an audit is likely to take. When the fieldwork is completed, there is inevitably a variance from the planned days.

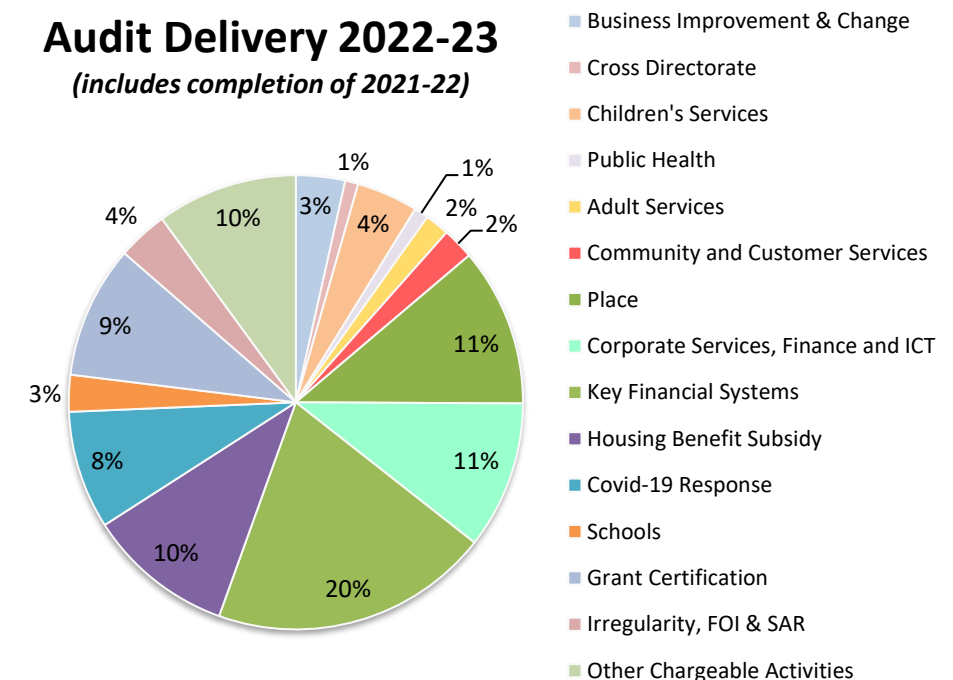
In addition, we provide an allowance for work on areas such as irregularities and in some years the requirement will exceed the planned budget, in others the need for our resource will be less than planned.

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 2022-23



Audit Delivery 2022-23 (includes completion of 2021-22)



Irregularities Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Devon Audit Partnership (DAP) regularly liaise with the Corporate Fraud Officer; the key outcomes of this role are the identification and investigation of external frauds.

Assessments state that there is an epidemic of fraud cases. Fraud now accounts for 40% of all crimes; it is anticipated that this will further increase by 25% in the coming years ([see Fraud and the Justice System](#)). The government has responded with formation of the Public Sector Fraud Authority. Given this landscape, it is important for councils to have effective measures to reduce the risk and impact of fraud. Management is aware that they can refer any suspected issues to the Corporate Fraud Officer, Internal Audit or the Finance, Ethics & Probity Group.

The Cabinet Office now run the national data matching exercise (National Fraud Initiative – NFI) every two years. Most data matching for this involves the investigation of potential external fraud committed against the Authority, i.e., individuals or bodies external to the Council. NFI activity on behalf of the Council is now undertaken by the Corporate Fraud Officer.

We have continued to provide support to the Council’s Finance, Ethics and Probity Group; and undertake daily monitoring and management of the Council’s Whistleblowing Inbox. We interrogate the Council’s email archive system to support investigations, Freedom Of Information and Subject Access Requests.

Irregularities – During 2022/23 Internal Audit have carried out or assisted in **15** new irregularity investigations. Analysis of the types of investigation and the number undertaken compared with previous years is as follows:

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Issue *	2022/23	2021/22	2020/21
Poor Procedures	11	2	0
Employee / Member Conduct	1	7	9
Financial Irregularities	0	2	4
IT Misuse	1	1	0
Tenders & Contracts	0	2	2
Support to IG and HR Investigations	2	4	N/A
Total	15	18	15

* The ‘Issue’ title relates to the allegation made and may not be reflective of the investigation outcomes/findings. Outcomes are summarised below:

- Support to IG and HR investigations - this work is limited to provision of emails from the archive solution, and we have no further involvement.
- IT Misuse – no evidence to support allegation
- Employee / Member Conduct – work ongoing
- Poor Procedures – of the 11 referrals, 7 were found to have no evidence to support the allegation; 3 were substantiated or part substantiated; and 1 remains ongoing. Regardless of outcomes, in a majority of cases, where necessary, recommendations were made to improve procedures.

Summary details as follows: - Some irregularity investigations are as a result of allegations made by whistle blowers. In addition, we have supported Information Governance and Human Resources with the provision of emails in relation to their investigations.

Freedom of Information / Subject Access Requests and Referrals made under the Unacceptable Behaviour Policy: -




We assisted with three requests under Freedom of Information and Data Protection requirements or the Unacceptable Behaviour Policy during 2022-23.

Appendix 1 – Summary of Limited Assurance audit reports and findings for 2022/23

Risk Assessment Key


- ANA - Audit Needs Assessment risk level as agreed with Client Management
- Client Request – audit at request of Client Senior Management

Direction of Travel Assurance Key

-  action plan agreed with client for delivery over appropriate timescales & is progressing
-  action plan agreed and is being progressed though some actions are outside of agreed timescales or have stalled
-  action plan not fully agreed, or we are aware progress has stalled or yet to start
* report recently issued; assurance progress is of managers feedback at debrief meeting

The table below excludes all the Audit areas examined where the Assurance Opinion was 'Reasonable' or 'Substantial', or where our work was deemed 'Added Value'. A full representation of our work and the resulting assurance opinions can be seen in the chart on page 3 of this report.

Where the Assurance Opinion column is coloured, this is to highlight that the audit report has been agreed and issued in Final. Those in grey remain in draft.

CORPORATE SERVICES and FINANCIAL SERVICES			
Risk Area / Audit Entity	Assurance opinion		Audit Report
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
ICT and IG Audit			
Change Management (ANA – High)	Status: Final	As both ICT Change Management and Problem and Incident Management are inextricably linked, we have reported the outcomes of each of these audits into this single report. Based upon the information provided and opinions obtained, we would conclude that although there is a baseline for Change Management, and Problem and Incident Management, there are aspects which need to be strengthened to provide assurance to the organisation that Changes, Problems, and Incidents are managed consistently and to an appropriate standard.	
Incident and Problem Management (ANA – High)	Limited Assurance	<p>Industry standard IT Service Management practices are available through the Information Technology Infrastructure Library (ITIL) framework, which include both Change Management, and Problem and Incident Management. These frameworks would provide a robust and consistent approach. We understand that IT Services does not have the capacity or resourcing to adhere to ITIL standards fully, yet elements of these practices are applied throughout both functions, with knowledge of the practices known by Officers.</p> <p>In relation to Change Management, we noted some good practices embedded into operations, albeit different processes operated by different ICT Teams, with some supporting policy requirements relating to IT infrastructure change having been defined. There is opportunity to further strengthen the Change</p>	


CORPORATE SERVICES and FINANCIAL SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>Management practices, notably implementing a centralised ICT Change Management framework and function; implementing and operating a central IT Change Advisory Board (CAB); and defining and operating standard operating procedures. Without a centralised Change Management function, there is a risk that changes are implemented without appropriate engagement across IT Services, resulting in potential impacts on other operational areas.</p> <p>The Council continues to use an open-source product to record and manage all Problems and Incidents, and although operation of the system does not follow the ITIL framework and lacks some operational functionality, we understand it is a cost-effective solution for the council at present. Some positive practices were identified such as definition of FAQ's held on the system to record incident resolution. However, it is apparent that use of and reference to these are primarily limited to PC Support / Service Desk staff. There are opportunities to strengthen the control framework, notably, enforcing a consistent user route for reporting problems and incidents; establishing formal procedural guidance; investigating wider system functionality, including an effective reporting mechanism.</p>	




The following audit was deferred to the 2023-24 year at the request of the client:

Information Governance – Data Quality and Records Management (ANA – High)

Key Financial Systems


Council Tax and Non-Domestic Rates (ANA – Medium)	<p>Status: Final</p> <p>Limited Assurance</p>	<p>Action against prior year recommendations had still not taken place, though we note that in the majority of instances, agreed target dates are linked to the implementation of the CRM system. We also acknowledge the number of Covid grants that the Team has been required to administer over the last few years, and the ongoing impact this is having on the resources available in terms of improving the areas we have highlighted.</p> <p>Sample testing carried out as part of this year's audit found a number of instances where compliance against the control framework in place could be improved, and also in terms of the accuracy of data entry. Recommendations include ensuring circumstances are regularly reviewed, requiring evidence when requesting confirmation of ongoing entitlement, not initially applying disregards unless the required evidence is supplied, prompt inspection of empty properties and clarifying some procedures. In addition, we found that there were delays in processing, particularly in relation to death notifications and VOA schedules for NNDR.</p> <p>Implementing prior year recommendations relating to re-starting the QA process and the introduction of a rolling programme of review of ongoing entitlement to discounts, reliefs, etc, should reduce these instances. We understand that a rolling programme of review of entitlements has now been commenced by the Counter Fraud team.</p>	
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CORPORATE SERVICES and FINANCIAL SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Civica W2 (ANA – High)	Status: Final Limited Assurance	The Civica W2 system have established user management processes in place. However, we identified a number of weaknesses that would benefit from strengthening in order to provide a more robust framework. In particular, the need for consistent application of user request authorisations; management and ongoing review of accounts, including leavers, generic accounts, and those with elevated privileges; and establishing reporting on elevated privilege accounts to ensure segregation of duty is being maintained. Given the scale of the Civica W2 system, there may be benefit in a more in-depth Audit review during 2023/24, and Management may wish to consider commissioning such a review.	
Debtors and Corporate Debt (ANA – High)	Status: Final Limited Assurance	As has been the case over the last few years, there has been little progress in terms of implementing prior year recommendations. With Covid-19 now having less of an impact, it would be good to see some of these long-standing issues resolved, particularly in relation to the monitoring and reporting of debt at an overall level. To this end, whilst management had previously accepted some of the risks, we have been advised that they will be engaging with Internal Audit during 2023-24 to work up a realistic improvement plan. Other issues mainly relate to Corporate Debt, and we understand that current staff pressures are preventing many of the recommended improvements from being made in this area, though we note that there has been remedial action taken in relation to procedures for special payment arrangements. We also found issues in relation to credit notes, monitoring performance of external debt collectors, reviewing accounts where recovery had been suppressed, and in relation to write-offs and the adherence to Financial Regulations. These were equally applicable to both Sundry Debtors and Corporate Debt.	
Other			
Apprenticeship Levy (ANA – client request)	Status: Final Limited Assurance	Whilst our evaluation of the standard apprenticeship processes (non-STEM) found these to primarily comply with both DfE and local guidance, we did identify some areas where the control framework can be further strengthened and opportunity to align internal process and procedure documents with a newly implemented system operated within the MyView system. In relation to the STEM application processes, we would conclude that internal practices are not yet sufficiently robust to prevent the STEM funding error from recurring. We have made several recommendations including clarification surrounding any statutory guidance and establishing appropriate internal practices. Whilst DfE funding is available for STEM apprenticeships, it is not routinely utilised by the Council, instead choosing to use the Council's own levy fund. By utilising the DfE funding for all STEM apprenticeships this would result in greater funds available within the Council Levy Fund. This audit also identified that the Council does not yet operate a formal Levy Transfer Scheme. In our opinion there is scope for such a scheme, particularly if the Council made greater utilisation of the DfE STEM funding, which would then have clear benefits to the local economy and associated benefit to supporting the Council's visions.	

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CORPORATE SERVICES and FINANCIAL SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Coroner (agreement monitoring) (ANA-Medium)	Status: Final Limited Assurance	<p>We understand that both the Coroners Service and NHS support services have experienced a significant impact as a result of the pandemic and as such progression and finalisation of the draft SLA for the combined coronial area is yet to be fully agreed and signed by all parties. We have been advised that parties are working to the spirit of the SLA, however given the nature of the service and the associated charging mechanisms in place, it is vital that the draft SLA and any supporting contracts are reviewed, updated, and agreed by all parties.</p> <p>Included within the draft SLA is the associated charging schedule, however, although invoicing and payments are up to date, the charging is one aspect of the draft SLA that requires agreement. Our findings would support the need for further clarity and additional charging aspects being included in the SLA to ensure all charges applied by Plymouth City Council and the method by which they apply them are clear, fair, and accurate</p>	


The following audits are currently in progress:

- Capital Programme (focussed on Town Deal and Future High Streets) (ANA – Medium)


The following audit was deferred to the 2023-24 year:

- Health & Safety (ANA – High)

COVID-19 RESPONSE

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Business Grants - Post Award Assurance Discretionary Business Grants - Post Award Assurance Local Additional Restrictions Support Grants Local Restrictions Support Grants (Closed) and Closed Business Lockdown Payments	Status: Final Limited Assurance	<p>Assurance was reported in last year's annual report; please refer to that report for full summaries of findings for individual audits.</p> <p>For information, in response to COVID-19, the Government provided support for businesses who suffered financial hardship due to local and national restrictions. There were several schemes under which grants were being made available to such businesses, depending on the specific restrictions that were in place over certain time periods</p> <p>The audits of the Covid-19 Response grant schemes were at client request to address the associated emerging risks with the audit plan being revised in-year to accommodate this requirement which spanned the 2020-21 and 2021-22 years.</p> <p>Management action plans are in place to address the findings and recommendations made in relation to specific claims and where lessons can be learnt for any future similar schemes. We note that reporting to government was addressed post the audits due to delays in receipt of templates from the government.</p>	

COVID-19 RESPONSE

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Local Restrictions Support Grants (Open) Local Restrictions Support Grants (Sector) Christmas Support Payments for Wet led Pubs Business Restart Grants		<p>We acknowledge the impact of the number of schemes, the speed of implementation required by the government, delays in scheme information from the government, the volume of applications and the known capacity issues on the Council's ability to implement and operate the required framework in addition to business as usual and during the pandemic.</p> <p>We raised issues with the design of the processing frameworks established in relation to the control environment and consistency with the government scheme requirements. These concerns have been noted by management and will be considered for any future similar grant schemes.</p> <p>Whilst we recognise the impacts on the service areas in implementing and operating these grants, the outcomes of our audits resulted in Limited Assurance being provided. This is primarily due to various factors, including inconsistencies in application assessment and awards; quality, accuracy, and availability of supporting evidence; instances of potential duplicate payments, albeit that this issue was not across all schemes.</p>	
Household Support Fund (CNA – High, Client Request)	Status: Final Limited Assurance	<p>The audit identified many lessons to be learnt from the first schemes (October 2021 to September 2022) that are applicable to the new scheme effective October 2022.</p> <p>In our opinion the scheme design would have provided a more robust framework and subsequently reduced the risk of the issues and errors had the pre scheme advice and recommendations from Internal Audit been implemented. However, this does not negate the impact of the advised capacity issues, scheme timing requirements, and volume of applications on the Council's ability to fully implement and operate the required framework.</p> <p>We identified a number of issues, notably a significant overpayment to one applicant, and a lack of service agreements for third party processing of funds, particularly the Citizen Advice Bureau. This has led to the need for discussions between the Council and the Citizens Advice Bureau in relation to the return of monies, identified during the Audit.</p> <p>Whilst we were aware of the process for Pensioner Credit applications and the introduction of a QC process, due to the timing of these being taken forward i.e., August 2022, they were not examined within this audit. We did however note a potential risk in relation to Pensioner Credit applications in that reliance was placed on provision of a listing from DWP which was a point in time listing and therefore could have been subject to change through the timing of the scheme.</p>	

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CROSS DIRECTORATE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance

The following audit is currently in progress:

- Service Delivery Interdependencies and related Improvement Plans (Adult Services, Children's Services and Public Health) (ANA – High, Client request)

PRIDE IN PLACE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance

Public Toilets (contract monitoring)
(ANA – Low, client request)

Status: Final

Limited Assurance

There has been progress against the previous audit agreed actions, with one action currently outstanding in relation to a discrepancy between the supplier's system (MOXI) and the Council's finance system (FIMS). The contract clearly defines the required aspects of the Public Toilet provision, however there are some areas where this could be strengthened, for example the requirement for further contract variations where additional requirements have been added.

Due to an advised capacity and staff availability issue at SWISCo, the provision of supporting evidence has been limited and as such, whilst we have been able to provide some aspects of assurance in relation to the contract content itself, we have been very limited in relation to being able to provide assurance regarding the practical operational contract management processes operated by SWISCo, and as such, are unable to fully confirm the suppliers compliance with the contract. We have made a number of recommendations requiring SWISCo to provide the Council with assurance that the required contract management processes are being effectively operated and that the supplier is compliant with contract terms.



Tor Bay Harbour Authority
(ANA – Medium)

Status: Final

Limited Assurance

We undertook a top-level review of most of the Harbour IT systems, with more detailed focus and evaluation of the key system. Most of the IT systems are provided through third party contractual arrangements and as such, there is a greater level of reliance upon suppliers for key IT controls such as security, data integrity, Information Governance compliance, and system resilience and contingency.



There is scope for Tor Bay Harbour Authority to improve assurance through greater contract monitoring practices. This would give them assurance that the critical IT and IG service arrangements are being met.

There are some local practices that would benefit from strengthening, in particular some aspects around Business Continuity detail, and system user management controls.


We have also noted the advised issues in relation to the data feed between the Harbour System and the Council's Financial Management System. We have recommended that management from Harbours and Finance work together to determine the options and therefore the best way to address this issue.





PRIDE IN PLACE

PRIDE IN PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Asset Management Strategy / Plan (ANA – High) Technology Forge system review (ANA – Medium)	Status: Final Limited Assurance	<p>These two areas were combined into one audit given the use of the system to support the Strategy.</p> <p>A suitable framework for Asset Management is in place, which includes the recently introduced and approved Asset Management Strategy and Policy. We also confirmed the existence of an Action Plan, which whilst concise, contains a number of key objectives for the service, which are linked to the Strategy.</p> <p>Elected members were involved in reviewing and approving the Asset Management framework, however we note that formal reporting of progress of the Asset Management Plan in line with the framework is not yet established; we recognise the informal reporting arrangements with the designated Cabinet Member in place. Designated officers are involved in managing and monitoring the delivery of the Strategy, and an experienced Asset Registrar is in place for day-to-day activities such as maintaining the asset register database.</p> <p>We confirmed the known issue of a significant backlog of maintenance work identified through condition surveys. Whilst acknowledging the lack of funding to address this remedial work, it is important that the risk of deteriorating property condition because of the backlog is flagged in reporting to Senior Leadership and Members and within the Council's risk register.</p> <p>In addition, we have recommended improvements to the Asset Management Action Plan in relation to enhancing recorded data and delivery of the Plan including asset rationalisation and disposal and, keeping the Asset Register updated with information such as completion of maintenance jobs. We have also highlighted the need for improved monitoring of funded maintenance activities given the delays noted, and the importance of reviewing performance indicators.</p>	
Parking (ANA-Medium)	Status: Final Limited Assurance	<p>Although there is a Parking Strategy in place, it is dated 2016-21 and has not been reviewed since it was implemented in 2016.</p> <p>It is pleasing to see that many of the recommendations from the previous audit have been implemented and testing has now been able to take place due to reports being produced from the Taranto system. However, there are still a number of issues that were identified this year, hence the opinion still being one of 'limited assurance'.</p> <p>Parking charges are reviewed annually by the Council as part of the budget. In April 2022, an amendment was made to the approved charges, however the proper procedures, as required by the Authority's Financial Regulations were not followed. In addition, for some zones, the published charges are not in line with the approval document as we understand the document was inaccurate when approved.</p> <p>As of 31st March 2022, the level of debts in relation to PCNs had increased significantly on the previous year. It is understood that this figure includes cases that have been returned from the bailiffs as unrecoverable and need to be written off, however staffing issues have meant these write-offs have been unable to take place.</p> <p>Management have advised that areas of weakness identified should in part be attributed to insufficient capacity in the team which we are advised is an ongoing issue.</p>	


PRIDE IN PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
The following audits are currently in progress: <ul style="list-style-type: none"> • SWISCo (client role / management) (ANA – High) • Climate Change (ANA – High) The following audit was cancelled by the client due to an internal oversight process: <ul style="list-style-type: none"> • Housing Companies (client role / management) (ANA – High) 		The following grant certification audit was not required this year: <ul style="list-style-type: none"> • Grant – Local Growth Fund (Claylands) 	

CHILDREN'S SERVICES			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Virtual School – Personal Education Plan (ANA – Medium) 35	Status: Final Limited Assurance	<p>Our primary focus of the audit was directed at the disparity between PEP performance figures reported from the Virtual School and those reported from the Children's Services LCS System.</p> <p>Our work did not evaluate child/young person outcomes of the Personal Education Plan (PEP) processes, rather it focussed upon the process itself. We examined the process via a walkthrough of a single PEP record and found the information recorded and timing of the PEP review to be in line with requirements, however as this was a walkthrough it should be noted that the sample base was therefore limited.</p> <p>Through discussion with various parties and our evaluation of evidence and documentation provided we concluded that there were a significant number of issues compounding the differences in reporting. These ranged from points of failure within the process itself, to differences in the cohort detail being reported, and potential system issues. We have identified a number of recommendations which we feel will strengthen the process and provide consistent and accurate PEP reporting.</p>	
The following audits have been deferred / cancelled due to the impact of other priorities on the service or due to alternative oversight arrangements: <ul style="list-style-type: none"> • Fostering and connected carers (ANA – Medium) • Sufficiency Strategy Progress (ANA – High) • Higher Needs / SEND Block Progress (ANA – High) 			

ADULT SERVICES INCLUDING COMMUNITY AND CUSTOMER SERVICES

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Adult Services			
<p>Adult Social Care Client Debt (Monitoring of commissioned function) (ANA – High)</p>	<p>Status: Final</p> <p>Limited Assurance</p>	<p>We acknowledge the clarity within the agreements regarding a significant proportion of adult social care provision, including Trust savings budgeted for financial years 2023/24 and 2024/25. The agreement briefly outlines how the Trust will collect income on behalf of the Council where it has been agreed that charges will be made for social care services. It details how the provision of care and collection of income will be carried out in accordance with all relevant legal and statutory instruments set nationally as well as Council policy. However, the agreement does not specifically refer to arrangements for the service of client debt management, including debt monitoring, recovery, and reporting.</p> <p>We note that the Trust has had a Debt Management audit undertaken in 2021/22 by their own Internal Auditors, however at the time of this Audit, the Council’s Director of Adult and Community Services had not been cited on that report. We noted several recommendations being made within the Trust’s audit report in relation to the improvement of debt management practices, most notably the recommendation to ensure adequate legal support is available from Torbay Council, so that outstanding adult social care debt can be robustly and consistently pursued.</p> <p>During discussions and review of Adult Social Care Improvement Board (ASCiB) records, whilst we could evidence reporting by the trust of agreed performance indicators, we were unable to evidence the monitoring and pursuing of client debt, nor evidence of the provision of dashboard reports / client debt performance indicators to the Council from the Trust.</p> <p>It was pleasing to note that a project has been established to manage the implementation of the Care Cap of £86k, coming into effect in October 2025. We understand that there has been significant work undertaken to support the implantation. Various media reports have outlined how England’s County Councils have urged the government to delay the social care reforms, warning of serious staffing and financial pressures on services. We understand that these concerns are echoed by Torbay Council.</p>	
<p>Adult Social Care Precept Use (Control of Procurement and Spend) (ANA – High)</p>	<p>Status: Final</p> <p>Limited Assurance</p>	<p>Some related aspects of compliance were found to be in place, in particular evidence supporting Member approval of the 1% Adult Social Care (ASC) precept, and associated notification to council taxpayers. The DHLUC has confirmed that the appropriate returns regarding use of precept monies have been submitted by the Council's S151 Officer, however due to staff changes, the Council’s copies of these returns could not be located.</p> <p>At the time of the Audit, we were advised that Finance responsibility for monitoring of the budget had not been allocated due to staff movement and changes, and as such there was a period of time when dedicated support was not in place. Due to the staff churn at the time of the audit we had difficulty reconciling the 2022/23 precept value to the FIMS system. Whilst we have subsequently obtained the necessary information to facilitate this reconciliation in full, we have made recommendations to improve</p>	

ADULT SERVICES INCLUDING COMMUNITY AND CUSTOMER SERVICES

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>the transactional financial transparency going forward. We can confirm from financial records provided that the overall ASC spend far exceeds the budget digest net expenditure, which includes the precept value, and can confirm that precept monies have been spent on ASC activity. We acknowledge that ASC maintain a record of related schemes and their values, but this is not reflected in the FIMS structure. We can confirm that precept monies are passed over to Health as part of the Integrated Health Contract.</p> <p>We identified several areas where the processes related to contract monitoring could be established and strengthened, notably the need to engage Procurement in purchasing activity to ensure contracts are instigated and monitored; and that contracts are included on the contracts register. We acknowledge that the audit coverage related to the period around the pandemic and as such, we understand that resources, capacity, and the related need for urgent processing of financial support would all have impacted the associated compliance.</p>	
Community and Customer Services			
<p>Vulnerable Renters (use of Homelessness Prevention grant and other grants) (ANA – High)</p>	<p>Status: Draft</p> <p>Limited Assurance</p>	<p>The winter top-up to the Homelessness Prevention grant was coded to a central 'Fix it Fund' from which payments were made for a number of purposes, including on temporary accommodation costs, which is not in line with the conditions of the grant.</p> <p>We note that sample testing of a small number of other payments found that they had been incurred for such purposes as reducing rent arrears and providing deposits, which are deemed to be in accordance with the conditions of the grant.</p> <p>We understand that the only plan in place was to code the grant monies to the Fix it Fund, but this in itself does not ensure the purpose of the grant is achieved and that monies are spent in line with the terms and conditions. There was no other plan in place in relation to the top-up grant, setting out how vulnerable households with rent arrears will be supported in terms of reducing the risk of them being evicted and becoming homeless, so we cannot determine whether the original purpose of the grant has been met.</p> <p>The grant was a 'top-up' to the Homelessness Prevention funding that is received annually. Here, these terms and conditions are less prescriptive than those of the top-op, and we did not find specific evidence that funding had been used for purposes outside of those intended. The funding has been agreed to FIMS.</p>	
<p>The following audit is currently in progress:</p> <ul style="list-style-type: none"> Housing Options (focussed on Temporary Accommodation) (ANA – High) 		<p>The following audit has been deferred to the 2023-24 year:</p> <ul style="list-style-type: none"> Housing (including cross council joint working) (ANA – Medium) 	

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 2023. This is supported through external assessment of conformance with Public Sector Internal Audit Standards & Local Government Application Note.

The Institute of Internal Audit (IIA) are the key body involved in setting out the global standards for the profession which form the basis for the Public Sector Internal Audit Standards (PSIAS) and are undergoing review and revision. The proposed new standards which are likely to take effect in 2024 and this document helps clarify and raise awareness of the audit committee's governance roles and responsibilities in respect of this. [IIA Document – Draft Standards](#)

Quality Assessment – Through external assessment “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 are supported by a development programme.

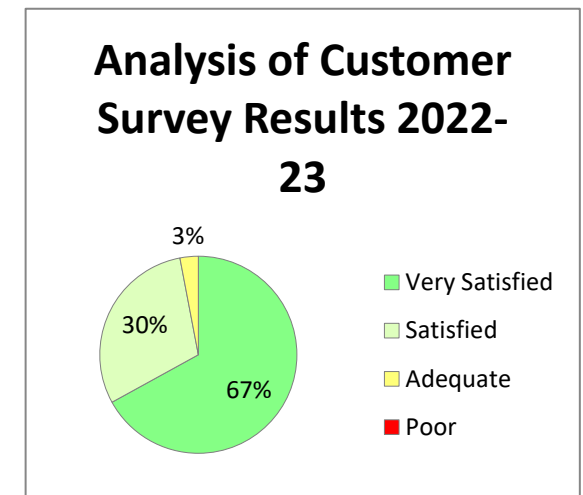
Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our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

Performance Indicators

Overall, performance against the majority of indicators has been maintained with one exception (see Appendix 6). To note that certain areas of the audit plan relate to project work and completion is driven by project timescales.

Customer Service Excellence (CSE)

DAP continues to maintain accreditation to CSE as assessed by G4S Assessment Services. We continue to issue client survey forms with our final reports and the results of the surveys returned are 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.



Appendix 3 – Audit Authority

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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.

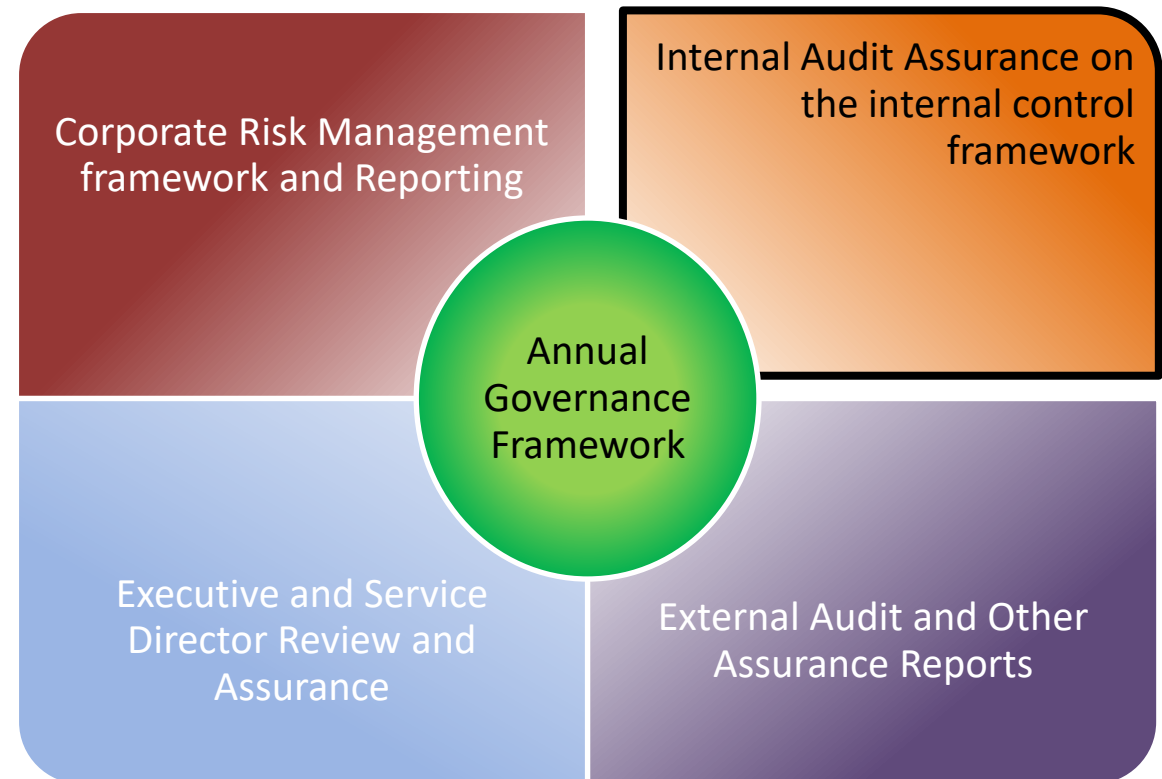
The Annual Governance Statement (AGS) provides assurance that

- 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.

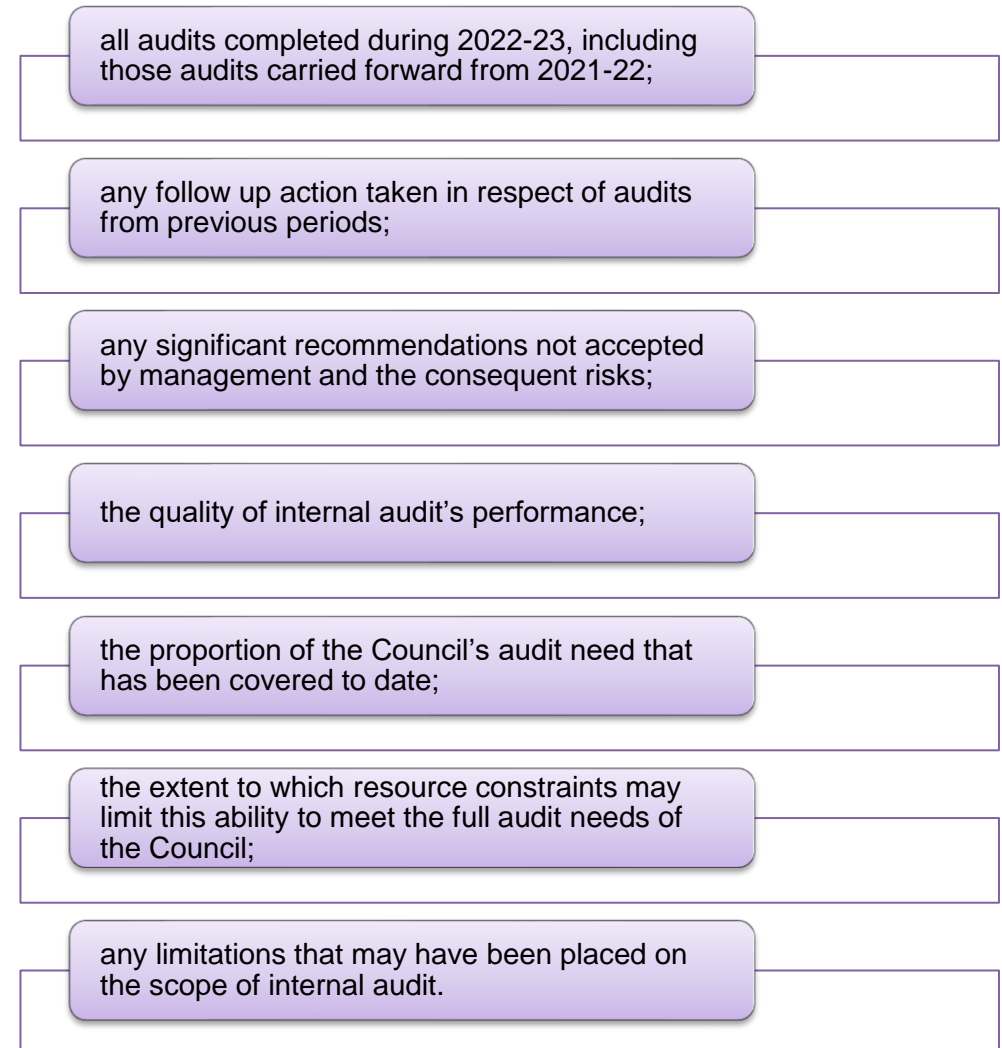
This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit 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:

- 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 the audit plan are shown in Appendix 1.

The overall audit assurance will have to be considered in light of this position.

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



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 LPI's:

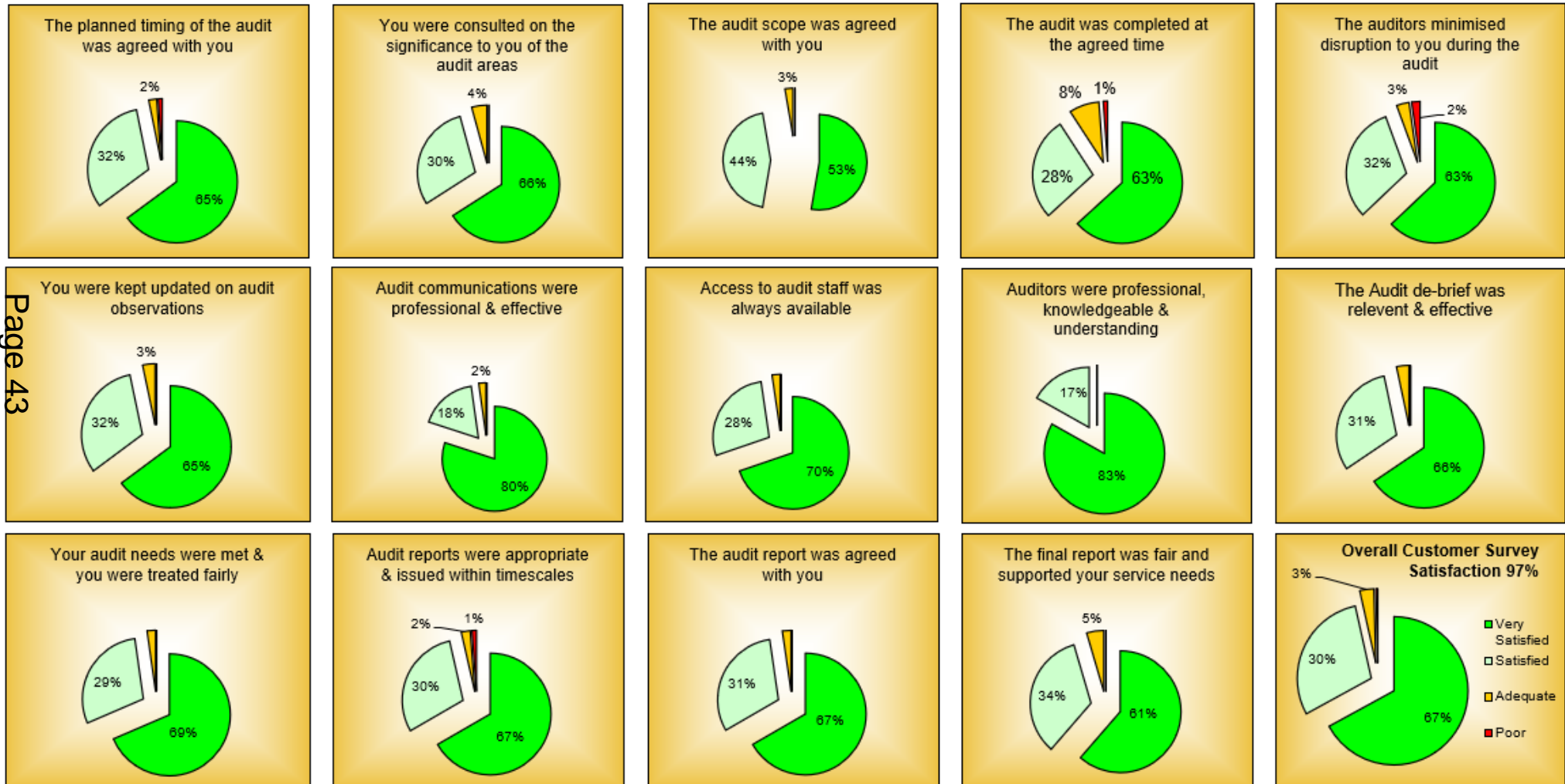
<i>Local Performance Indicator (LPI)</i>	<i>2020/21</i>	<i>2020/21</i>	<i>2021/22</i>	<i>2021/22</i>	<i>2022/23</i>	<i>2022/23</i>
	<i>Target</i>	<i>Actual</i>	<i>Target</i>	<i>Actual</i>	<i>Target</i>	<i>Actual</i>
Percentage of Audit plan Commenced (Inc. Schools)	100%	100%	100%	100%	100%	100%
Percentage of Audit plan Completed (Inc. Schools)	93%	95%	93%	83%	93%	95%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	108%	95%	86%	95%	102%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	100%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	96%	90%	97%	90%	97%
Draft Reports produced within target number of days (currently 15 days)	90%	90%	90%	92%	90%	74%
Final reports produced within target number of days (currently 10 days)	90%	100%	90%	98%	90%	100%

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Overall, performance against most indicators has been maintained, the exception to this being 'Percentage of Draft Reports Produced within Target Number of Days'. This has been impacted by capacity within the Team which has now been resolved. As expected, certain areas of the audit plan relate to project work, the completion of which is aligned to project timescales.

Appendix 7 - Customer Service Excellence

Customer Survey Results April 2022 - March 2023



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

Interim Auditor's Annual Report on Torbay Council

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2021/22 and 2022/23

July 2023

Final

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the local authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the local authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the authority's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the authority's arrangements for 2021/22 and 2022/23 to ensure our reporting and assurance to the Council are fully up to date. As part of our work, we considered whether there were any risks of significant weakness in the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2021/22 Auditor Judgment	Direction of travel	2022/23 Auditor Judgment
Financial sustainability	No significant weaknesses identified but five improvement recommendations made	↔	No significant weaknesses identified but five improvement recommendations made
Governance	No significant weaknesses identified but four improvement recommendations made	↔	No significant weaknesses identified but three improvement recommendations made
Improving economy, efficiency and effectiveness	No significant weaknesses identified but one improvement recommendations made	↔	No significant weaknesses identified but two improvement recommendations made



Financial sustainability

The Council delivered a balanced budget for 2021/22 which included a transfer to reserves. The Council is reporting a surplus of £400k for 2022/23 outturn which will be transferred to reserves. The Council's working balance reserve position continues to be low in comparison to the target balance, however, the Council have an earmarked reserve to provide further cushioning. Overall, the reserves position is relatively healthy. The Council has robust arrangements in place with respect to budget management and demonstrated strong financial control in recent years. There are risks associated with the DSG deficit surrounding the demand-led pressure on the High Needs Block and the expiry of the statutory override. Overall, we have found no areas of significant weakness in the Council's arrangements to secure financial sustainability. We have raised five improvement recommendations.



Governance

The Council has appropriate arrangements in place to manage risk and an adequate and effective internal audit service in 2021/22 and 2022/23. The approach to risk management has improved significantly from 2020/21 to 2022/23. There is some room for improvement with regard to the audit committee arrangements. The Council-owned company SWISCo required funding in 21/22 and 22/23 so the Council must continue to manage the risks associated with this. The governance arrangements are effective, no significant weaknesses found. We have raised three improvement recommendations.



Improving economy, efficiency and effectiveness

The Council has improved significantly performance-wise. The Council has shown significant improvement in several performance indicators in the Corporate Plan from 20/21 to 21/22 and then again from 21/22 and 22/23. Children's services has improved remarkably which is a great credit to the Council. This has been recognised and resulted in the relaxation of external supervision. The procurement function is also an improvement journey. The Council has put the appropriate governance arrangements in place to manage its procurement transformation programme. Overall, appropriate arrangements are in place with regard to the Council's arrangements to achieve economy, efficiency and effectiveness. No significant weakness identified and two improvement recommendations raised.

Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	We did not issue.	We did not issue.
<p>Public Interest Report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	We did not issue.	We did not issue.
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	We did not apply.	We did not apply.
<p>Advisory notice</p> <p>Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful. 	We did not issue.	We did not issue.
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	We did not apply.	We did not apply.

Securing economy, efficiency and effectiveness in the local authority's use of resources

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The authority's responsibilities are set out in Appendix A.

Local authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



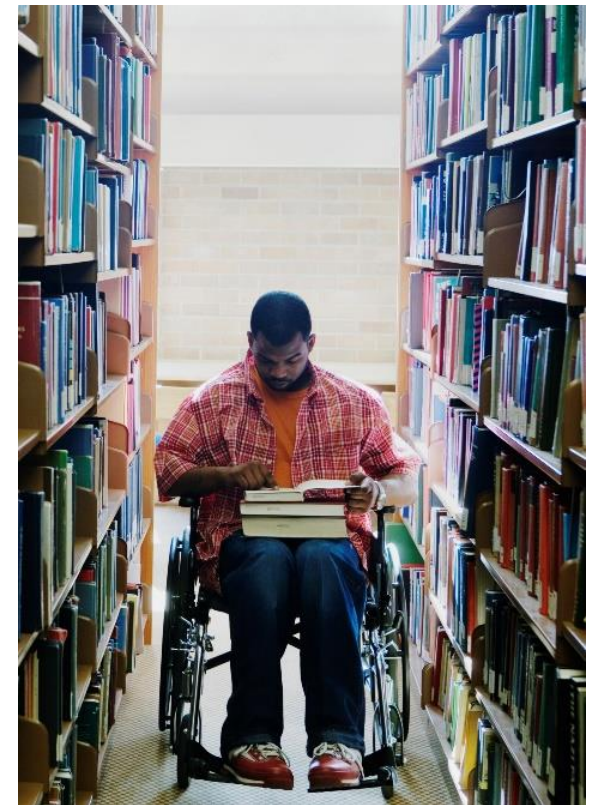
Governance

Arrangements for ensuring that the authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the authority makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the authority's arrangements in each of these three areas, is set out on [pages 6 to 32](#). Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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2021/22 planning and performance

The 2021/22 budget was set against the backdrop of COVID-19 and the resulting financial pressures that had a fundamental impact on local economies and nationwide uncertainty surrounding the financial impact of Brexit negotiations, the prospect of a potential new funding formula (that was eventually delayed), changes to adult social care, and general uncertainty on the future funding arrangements with central government.

The Council set a budget for 2021/22 of £116m. The Council delivered a balanced budget for 2021/22 which included a £0.8m transfer to earmarked reserves. The Council underspent on the Adult Services, Children's Services, Corporate Services and Executive and Finance budgets for 2021/22. The investment portfolio reported a balanced budget and the Place directorate reported a minor overspend. As per the 2021/22 accounts, the outturn for the Council for 2021/22 was broadly in line with the in-year monitoring forecasts with overspends in Place and Corporate budgets linked in part to recruitment and retention issues and the budget shortfall in SWISCo, the Council's services company. Overall, the Council enjoyed reasonably comfortable financial performance for the year.

As per the 2021/22 budget, the Council stated the intention to deliver a £8.8m savings package in the year. See savings section for commentary on this.

2022/23 financial planning and performance

In 2022/23, the Council was still feeling the impacts of COVID-19 yet the funding from government to meet the costs ceased. Add this to additional pressures in adult social care, children's services, budget costs, inflation, interest rates, Brexit and supply chain issues and it is clear that all Councils were facing a difficult national backdrop against which to make decisions to ensure future financial sustainability. The Local Government Finance Settlement was a one-year settlement for 2022/23 only. This short termism runs counter to sound financial planning and increases the challenge for Councils to make credible assumptions against which to base budgets.

The Council set a balanced net budget for 2022/23 of £120.4m. The 2022/23 budget did not include any use of earmarked reserves to fund base budget costs to achieve a balanced position. Earmarked reserves were budgeted to be used to fund the three-year impact of the collection fund deficit and to cover some COVID related costs that were only temporary.

As per the MTFS produced in October 2020, the Council stated the intention to deliver a £3.6m savings package for 2022/23. See savings section for commentary on this.

The Council is reporting an outturn of £400k surplus for 2022/23. This surplus is set to be transferred to reserves.

Financial sustainability

2023/24 budget

The Local Government Finance Settlement for 2023/24 was better than the Council had expected. The Spending Review total for local government increased by £1.6 billion in 2022/23 and in 2023/24 the Review stated that this would be the same 'cash' level as 2022/23. Though the impact of COVID on Council finances has reduced significantly, the current predicted high inflation rates and cost of living crisis has increased pressure on Council budgets. The Council's 2023/24 budget acknowledged: 'the single biggest cost pressure in the proposed 2023/24 budget is the impact of inflation on Council costs.'

In May 2022, the Council was originally forecasting the need for a £5.3m savings package in 2023/24. Due to a better-than-expected funding settlement, the target for the year is now £1.3m to achieve a balanced budget.

The 2023/24 budget proposals do not include any use of earmarked reserves to fund base budget costs to achieve balance. Based on the 2023/24 budget, the target reserve level for the Council is £6.5m. The Council's current general reserve sits at £5.7m as at the end of 2022/23. The Council's reserve position therefore continues to be low in comparison to the target balance but it is important to note that the Council has a supplementary earmarked reserves specifically for budget pressures. Overall, the reserves position is relatively healthy.

Savings

In our view, the Council do not have appropriate arrangements in place to monitor the delivery of savings. There is extremely limited transparency surrounding the Council's savings monitoring and delivery. The Council stated the intention to deliver a £8.8m savings package in 2021/22, a £3.6m package in 2022/23 and £1.3m savings package in 2023/24. There is no monitoring or reporting on individual savings during the year externally. The Council should have arrangements in place to monitor savings delivery independently of basic budget monitoring at the corporate level.

The only evidence to demonstrate whether the Council delivered the planned savings scheme is the budget monitoring and outturn reports. Though it is important to note that these do not demonstrate delivery of savings but rather management of budgets. While the two are related, there is also an important distinction. For example, the Council finished 2021/22 with a balanced budget that included a £0.8m transfer to earmarked reserves. This therefore implies that the Council delivered its £8.8m savings package, as the balancing of the budget was predicated on the delivery of that savings package.

Historically robust budget management suggests that the Council did not feel this level of reporting to Members was required. The difficulty in using this as evidence of savings delivery is that there is no evidence whether the savings identified at budget setting were the savings that actually ended up being delivered. There is also no evidence to demonstrate whether the £8.8m was actually satisfied by an alternative means (for example, increased grant funding or income generation) as the Council does not report or monitor on delivery of those particular savings.

While the Council can demonstrate effective budget management, the Council cannot demonstrate that it has appropriate procedures in place to manage savings delivery. We have raised an improvement recommendation in this area. The Council should have arrangements in place to monitor savings at a committee level. The initial savings proposal and any changes to initial proposals during the year should be approved by Members. The quality impact of proposed savings should also be assessed and monitored during and after implementation to assess whether any quality risks have occurred. Stakeholders should also be consulted during the development of savings plans.

The Council have been able to make budget reductions of approximately £90m over the past seven years to deliver balanced budgets. The capability to deliver savings is therefore not the issue. The issue surrounds transparency of reporting, evidence of monitoring and management of savings. Based on previous delivery and budget management, the savings packages in the MTFS appear reasonable. The difficulty surrounds the transparent reporting of savings and budget reductions. As stated in the CIPFA Financial Management Code, 'knowing that savings are required is helpful, but knowing how these savings are going to be achieved is critical.'

The Council has established a Transformation and Council Redesign Board to implement transformation projects and improve service performance. This will hopefully go some way to ensuring improved reporting. The Council recognises the need to implement transformational and re-design projects at pace to deliver savings. There is also an increased focus on cost reductions on high value budgets in adults and children's social care. The Council should incorporate our recommendations raised into the design of its new savings tracking apparatus to ensure effective monitoring, reporting and ultimately delivery of savings plans.

Financial sustainability

Reserves and budget gaps

In 2020/21, the Council was able to increase its general fund reserves by £1m to £5.7m which was 5% of the Council's net budget at the time. This is still a relatively low level of reserves compared to other unitary authorities. The Council's general fund reserve has remained at £5.7m for 2021/22 and 2022/23. For 2021/22, this is approximately 5% of the net budget and for 2022/23, this is equivalent to 4.7% of the net budget. The Council did not use any general fund reserves during 2021/22 or 2022/23. Based on the budget of £130.6m for 2023/24, the target reserve level would be £6.5m. The 2023/24 budget does not include any use of earmarked reserves to balance the budget. The Council do not plan to deplete the £5.7m reserves balance in the medium-term.

The Council has an earmarked reserve called the Comprehensive Spending Review Reserve which is purposed to fund costs associated with future budget reductions. The reserve stood at £3m as at 31 March 2022. The Council are planning on increasing this reserve by £0.5m annually in the medium-term. The Council continue to set the target for the CSR reserve at a minimum of £3m.

The unearmarked general fund reserve and the CSR earmarked reserve are therefore the two reserve balances with the express purpose of smoothing future revenue budget gaps. Therefore, while the general fund reserve balance might be low in comparison with other unitary authorities, the Council have the CSR reserve as a contingency to the general balance. The combination of these two reserves is shown below:

	20/21	21/22	22/23	23/24	24/25	25/26
Unearmarked Reserves						
Unallocated General Fund Reserves	4.6	5.7	5.7	5.7	5.7	5.7
Earmarked Reserves						
Comprehensive Spending Review Reserve	2.4	3.0	3.5	4.0	4.5	5.0
Total	7.0	8.7	9.2	9.7	10.2	10.7

The Council are anticipating a £13m cumulative budget gap over the medium-term period. The Council have therefore identified the need to deliver a savings plan to meet the budget gaps. The following savings are required in the medium-term:

Savings	2023/24	2024/25	2025/26
In-year savings required to balance budget	1.3	3.7	7.8
Cumulative savings required	1.3	5	12.8

Based on current predictions, should the Council's savings plan fail to materialize, this would put increased pressure on the Council's already low level of reserves. If the Council were required to fund the entire funding gap from the general fund reserves (i.e. no savings or budget reductions were delivered), this would only cover the budget gap until 2024/25 before exhausting the reserves balance. The budget gap for 2023/24 is £1.3m, if this were funded by the general reserves and CSR reserve, this would take the balance down to £5.7m. This would be sufficient to cover the 2024/25 budget but would not cover the 2025/26 position. Though this is undoubtedly a worst-case scenario position, it is important to consider when assessing the Council's medium term financial sustainability. This risk is further exacerbated when the DSG deficit is considered alongside the identified revenue budget gaps, though this need not be the case at this given time due to the statutory override.

Budgetary control and financial management

The Council has formal processes in place to ensure budgets are robustly, efficiently and effectively managed and controlled. Financial management is conducted in accordance with the Standing Orders in relation to the Budget and Policy Framework and the Financial Regulations set out in the Council's Constitution, which was updated in May 2023.

Financial sustainability

The Financial Regulations aid the Council in good financial management and outline the necessary procedures to secure the proper administration of financial affairs. Full Council has responsibility for the budget and Policy Procedure Rules, including the allocation of resources in line with corporate priorities via the MTFs, setting the revenue budget, Council tax and housing rents, approving the Capital Strategy, and setting the Treasury Management Strategy. The Council's Scrutiny Committees have a role in scrutinizing the Council's MTFs.

Financial resilience has been a significant issue for local authorities since 2012/13 due to the substantial reductions in grant funding from central government. This context emphasises the need for authorities to have strong financial governance and planning.

Torbay Council has demonstrated sound financial management through the development of a plan to replenish the reserves balance and not seek to run down the reserves indefinitely without a specified plan to replenish. As stated in the CIPFA Financial Management Code, 'The authority's reserves should not generally be used to pay for day-to-day expenditure. They should not, except in the most exceptional circumstances, be used to fund a budget shortfall either, without a plan in place to address the underlying deficit and to replenish the reserves.'

The Council has also demonstrated strong financial control in budgetary management in recent years. Since 2018/19, the Council has reported an underspend against its revenue budget alongside a corresponding transfer to reserves for every year excluding 2019/20 where there was an overspend. Unplanned overspends have been identified as a common symptom of financial stress in authorities in financial difficulty in recent years. Torbay Council has demonstrated that this does not apply to the authority and it has been building up its reserves through sound budget management amidst an extremely volatile and challenging wider economic outlook.

The Council's medium term resource plan (MTRP) sets out the resource projections for the next three years and the financial challenges. The Council is forecasting an estimated budget gap of £13m over the three years between 2023/24 and 2025/26. The Council has already started the process of meeting the significant financial challenges through identification and implementation of service changes and income generation opportunities.

We reiterate our findings surrounding the budget management arrangements for the Council from the prior year - the Council have robust arrangements. Budget managers can review budgets at any time, budgets are reviewed by finance team on key risk areas. Budget holders receive a monthly budget monitoring report, all variances over £20k are addressed by the finance team. Reports on budgetary management are provided to all levels of Council management and regular financial monitoring reports are taken to Cabinet and full Council. The Council should consider the ways in which it can better integrate service activity into financial reporting to Cabinet. The Council should consider the ways in which it can assess whether its services achieve value for money by reviewing explicitly the ways in which services are delivered and a greater understanding of its cost base. The CIPFA Financial Management Code 2020 proposes preparing an annual value for money report, summarizing the action that the Council has taken to ensure that its services deliver value for money and how it has sought to improve economy, efficiency, effectiveness and equity. This will ensure greater integration of financial and non-financial information.

The Dedicated Schools Grant (DSG)

In 2022, the government's local government finance policy statement announced that the statutory override for the Dedicated Schools Grant (DSG) would be extended for the next three years from 2023/24 to 2025/26. The statutory override means that any DSG deficits do not need to be included in the Council's main revenue budgets.

The statutory override only provides temporary relief for Councils to manage their DSG deficits. When the statutory override expires, Councils will be expected to cover the cost of their DSG deficits themselves. This would likely have to be met from unringfenced general reserves.

The risk arises when many Councils consider that their general reserves balance may be close to or less than the amount required to fund their DSG deficit. Many Councils have become dependent on the statutory override to continue complying with their statutory financial responsibilities in maintaining a balanced financial position.

With the statutory override expiring in 2025/26, there is intense pressure for Councils to devise a plan to manage the DSG deficit to mitigate the risk of funding the deficit from reserves and risk fully depleting the general reserves balance.

Financial sustainability

In June 2022, the government launched the Delivering Better Value in SEND programme. The programme involves sending specialist advisors to probe Council's financial data and try to cut their DSG deficits. CIPFA is a partner in the programme, providing project and change management and financial modelling capacity. The programme runs alongside the Department for Education's 'safety valve' support scheme that offers bailouts for Councils with the largest SEND deficits in return for the implementation of stringent reform.

Torbay Council's safety valve agreement was announced in March 2023 and extends to 2026/27. In line with the agreement, the authority is obligated to reach a positive in-year balance on its Dedicated Schools Grant (DSG) account by the end of 2025/26 and in each subsequent year.

In 2020/21, the Council reported the financial pressure the Higher Needs Block in the DSG was under due to increasing levels of referrals from schools for higher needs support for children. As at 31 March 2021, the DSG deficit stood at £5.8m. By the end of 2021/22, the DSG deficit had increased to £9m. As per the latest budget monitoring report for 2022/23, the Council is reporting the Higher Needs Block to have a forecast deficit of £2.9m in year, with the cumulative DSG deficit increasing to £11.9m.

The Council's current unringfenced general reserves balance as at 31 March 2023 is £5.7m. The DSG deficit is therefore currently greater than the Council's unringfenced general reserves balance. This risk is further exacerbated by the rate at which the DSG deficit is growing. Should the statutory override elapse requiring the Council to absorb the DSG deficit itself, this would totally deplete the unringfenced general reserves balance.

The DSG deficit has therefore been growing year on year due to pressure on the Higher Needs Block. As per the Council's safety valve agreement with DfE, the Council agrees to undertake control and reduce the cumulative deficit as follows:

Year	Forecast DSG deficit profile at year-end
2022/23	£11.7m
2023/24	£13.0m
2024/25	£13.4m
2025/26	£12.9m
2026/27	£11.3m

Torbay is managing its DSG deficit through a mixture of activities and governance arrangements to facilitate the successful achievement of its actions.

The Council is currently employing cost avoidance actions by putting in measures to reduce demand for statutory assessments and delivering services by alternative means through a whole-system inclusive approach, using the providers and colleagues across the locality to intervene at the earliest point. Torbay have a significantly high number of EHCPs that are driving the Higher Needs Block deficit, the number has been increasing since 2014 when the legislation was introduced. The Council are therefore putting effort toward understanding the drivers of the Higher Needs Block and employing preventative measures to manage the cost drivers.

Alongside early intervention techniques, the Council is investing in greater understanding of the nature of the EHCPs that already exist. The Council has set targets that are broken down into phases of education, types of education provider and types of need to reduce the financial cost of those EHCPs. The Council has revisited the Scheme of Delegation that guides decision-making around EHCPs and is reviewing any provision above £30,000 to ensure that there is a level of scrutiny attached to the plans. The Council are also collecting data and implementing numerous other activities to further understand and manage key indicators to reduce the deficit.

The Council also has a series of governance arrangements in place to support the reduction of the DSG deficit. The governance arrangements can be divided into: public-facing governance, internal governance and external governance arrangements with the DfE.

In terms of the public-facing governance, the Schools Forum meets five times a year (Torbay have added additional meetings to manage the DSG deficit). The Forum unanimously signed up to the Dedicated Schools Grant Management Plan that forms part of the 'safety valve' support scheme. The plan went with the support and endorsement of the Schools Forum into the Education Schools and Funding Agency for approval. The Forum is also recorded and meeting minutes, agendas and papers are publicly available on the Council website.

In terms of internal governance, at the first level, there are fortnightly meetings between the divisional directors and the operational employees in the SEND team delivering the change around the plan. This is monitored weekly with dashboards internally produced which are used as part of the targeting work to ensure progress against the plan.

Financial sustainability

The Council have a Safety Valve Board which holds the authority to account on the targets and actions part of the safety valve plan. The Safety Valve Board reports up to the Transformation Board which is chaired by the Chief Executive. The Safety Valve programme is also part of the Overview and Scrutiny Board's programme for the year and it has been taken to Cabinet for key risks.

In terms of external governance with the DfE, the Council will report tri-annually as a minimum to the DfE on its progress towards implementing the plan. The Council has received its monitoring schedule from the DfE – its first report is due on the 16th June, the second report on the 15th September and third on 15th December 2023. The Council, so far, has made promising progress against the plan. For the first time, this year, the Council have reduced the EHCPs rather than increased them. This will be included in their first report to the DfE in June 2023.

Overall, there are still risks associated with the DSG deficit surrounding the demand-led pressure on the High Needs Block and the expiry of the statutory override. The Council appear to have the appropriate architecture in place to facilitate this reduction and are making good progress against the actions in the plan. The Council must continue to direct effort toward the plan.

Capital

The development of the Capital Plan is managed by the Corporate Asset Management Team (CAMT) in collaboration with the Chief Executive, Directors, Divisional Directors and Heads of Service. The CAMT utilise the capital prioritisation process approved by the Council to ensure projected expenditure is taken into account for the four-year period of the capital plan. Normally, at least two months before the Council's budget meeting, the Cabinet will publish a timetable in the Forward Plan for making proposals to the Council for revisions to the Capital Plan. The proposals will then go through the Overview and Scrutiny Board for consideration. The proposals may be pushed to Cabinet if the Overview and Scrutiny Board wish to do so. At the end of the period, Cabinet will finalise its proposals and submit them to Council for consideration and the Council will adopt the proposals.

During the year, if a decision is likely to result in capital expenditure above £250,000, it will be treated as a 'key decision' which is reserved for Full Council and cannot be delegated.

The Capital Plan is funded from capital receipts, capital grants and contributions, reserves and revenue budget contributions, and long-term borrowing to ensure a balanced budget over the life of the Plan. The Council's current Capital Plan totals £305m for the 4-year period.

Capital budget monitoring reports are presented quarterly to Cabinet and the Overview and Scrutiny Board. The reports provide a high-level summary of the Council's forecasted capital income and expenditure for the year-to-date and year-end position for the financial year as well as reasons for variances.

The Council spent £27m on capital expenditure in 2021/22. The Capital Plan presented at Council in February 2021 stated the intention to deliver capital expenditure of £125m in 2021/22. This means that against this original budget the Council has underspent in 2021/22 by £98m, representing a 78% underspend. The Q3 budget monitoring report presented to Cabinet in March 2022 stated a revised capital budget of £43m for 2021/22. Against this revised budget, the capital expenditure of £27m would represent a £16m underspend (37%). The difference between the original capital budget set in February 2021 compared to the revised budget presented in March 2022 shows a movement from £125m to £43m (£82m decrease).

In the 2021/22 outturn report, the Council have attributed the 'pace of spend' on the capital programme to have been impacted by inflation and supply chain issues. Three schemes were also impacted by the Midas group entering administration in early 2022.

The original capital budget stated the intention to spend £114m in 2022/23. The latest Q3 2022/23 budget monitoring report shows the Council's revised capital budget for the year to be £43m expenditure. The Council is estimating 2022/23 expenditure against this revised budget to be £33m actual. This would mean the underspend against the revised budget of £10m which would represent 23%. However, if we compare this to the original budget, this would be a £81m underspend which would represent 71% of budget. The variance between the original budget set in February 2022 (£114m) and the revised budget presented in March 2023 (£43m) is a £71m decrease.

Financial sustainability

2020/21 paints a similar picture. The year-end outturn report shows that the Council spent £27m against a revised budget of £42.4m (£15.4m underspend or 36%). The original capital plan was £143m.

The Council have attributed the movements from the original budget to the revised budgets to re-phasing, slippage or new grants coming online. Although there is monitoring of the capital programme at Council meetings, indications are that focus should be turned to setting realistic capital budgets that allow for sufficient lead time before expenditure is likely to be incurred. Inability to set a realistic capital budget undermines the authority's perceived capability to manage its capital budget and deliver its growth plans. The difficulty in management of the capital programme will become increasingly challenging given the current high level of inflation. We have raised an improvement recommendation in this area.

In February 2023, the Council published its 2023/24 budget which showed planned capital expenditure of £90m. Given delivery in 2021/22 was £27m and 2022/23 was £33m, it appears that a £90m capital plan for 2023/24 appears quite ambitious.

Borrowing and investment property

As at 31 March 2022, the Council had £389m of borrowing, primarily from PWLB, which is a £3m decrease from the prior year. The Council's PWLB debt had a carrying value of £378.9m (£381.5m in 20/21) and non-PWLB debt £10.1m (£10.1m in 20/21). By November 2022, the Council's borrowing had reduced to £386m. The Council undertakes borrowing to support capital expenditure though capital expenditure in year in 2021/22 was lower than in recent years which resulted in no need to borrow in year. Borrowing at Torbay is supported by the Treasury Management Strategy, Capital Strategy and Medium Term Financial Strategy.

The latest Treasury Management Strategy was presented to Audit Committee on 25 January 2023. Within the Treasury Management Strategy lives the Council's Borrowing Strategy. The Borrowing Strategy aims to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The balance sheet forecast shows that the Council currently expects to borrow up a minimum of £112m (maximum £187m) over the next three years. The Council may need to borrow additional sums but this will not exceed the authorised limit of £600m. The Council's current debt is on a fixed rates with a flat maturity profile meaning the Council is not exposed to a refinancing risk of higher costs. The Council had no variable rate borrowing as of 31st March 2022.

The Council previously purchased property to provide benefits such as investment returns. The Council holds over £630m in non-current assets including £211m of investment property (£203m in 20/21) which generates a gross rent of £13m annually. The Capital Strategy provides an overview of how investment properties will contribute to the provision of services and how risk is managed in the context of future financial sustainability. The investment properties offer another income stream to the revenue budget and provide an element of reassurance in the face of increasing demand and reduced central government funding. A financial risk which the Council will need to continue to monitor surrounds the impact of inflation on construction costs combined with the significant increase in the costs of future borrowing. The Council have recognised the need for this in the 2023/24 budget and have acknowledged the need for original cases of all capital projects to be reassessed to consider future viability.

It is important for Council's to consider the affordability of their borrowing and investment arrangements. The Council's current borrowing level of £386m should be considered in light of the Council's 2023/24 net expenditure budget of £131.7m. As per CIPFA's Financial Resilience Index, Torbay's position is that the 'indicators of financial stress' rank the Council as 'higher risk' in relation to the overall level of interest payable and total debt compared to budget. The Council state that this is directly linked to the Council's historical investment in commercial property and regeneration projects. The level of gross external debt has also been flagged as medium risk.

The Council is aiming to mitigate the risk around interest payable compared to net revenue expenditure by adopting a fully fixed loan portfolio with a flat maturity profile. Any further consideration for borrowing will reference the PWLB borrowing rate at the time of the business case approval. To further mitigate the risk, the Council will continue to use internal borrowing and act upon the advice of their Treasury Advisors, Arling Close, prior to entering into any further long term loans.

To mitigate the risk surrounding the gross external debt, the Council has reviewed and improved the controls around the Capital Growth Board which aims to take a holistic and strategic view of the affordability and deliverability of the entire Capital Investment Programme prior to the consideration and approval of any new projects. All new projects have to be fully funded with appropriate allowances made for risk and contingency within the overall financial cost model.

Financial sustainability

Affordability of the entire capital programme is monitored by the CGB with options put forward to Directors and Cabinet for projects with identified viability gaps. No further borrowing will be taken unless assurances are given with regards to the affordability of the project and identification of relevant revenue stream(s) to repay any debt.

The Council has clear plans in place to manage the risks highlighted by the CIPFA Financial Resilience Index. The Capital Strategy emphasises the importance of affordability and the requirement for all projects to have a clear funding source. Affordability is prioritised when borrowing is to be used. We are satisfied that the Council has appropriate arrangements in place to manage the risks highlighted.

Page 57 Conclusion

The Council delivered a balanced budget for 2021/22 which included a transfer to reserves. The Council is similarly reported a surplus position for 2022/23 and transfer to reserves. Neither the 2021/22, 2022/23 nor 2023/24 budgets included a plan to use reserves to balance budget costs. The Council's reserve position continues to be low in comparison to its target balance, however, the Council have an earmarked reserve to provide further cushioning. Overall, the reserves position is relatively healthy.

There is room for improvement with regard to the transparency and documentation of the Council's savings schemes. The Council is clear on stating its intention to deliver a savings package of a certain amount but is lacking clarity on reporting against that stated plan. We have raised improvement recommendations in this area.

The Council has appropriate arrangements in place with regard to budget management. This is emphasised by strong performance in recent years. The DSG deficit continues to be a high risk area for the Council to manage. The Council's current unringfenced general reserves balance as at 31 March 2023 is £5.7m. The DSG deficit is therefore currently greater than the Council's unringfenced general reserves balance. Should the statutory override elapse requiring the Council to absorb the DSG deficit itself, this would totally deplete the unringfenced general reserves balance. The Council has a plethora of arrangements in place to manage its DSG deficit and are making good progress against its action plan.

There are also improvement areas in the capital programme relating to budget setting and management. The Council should focus on setting realistic and deliverable capital budgets.

Overall, we have found no areas of significant weakness in the Council's arrangements to secure financial sustainability. We have raised five improvement recommendations.

Improvement recommendations



Financial sustainability

Recommendation 1

Savings

- The Council should implement a single, consolidated and regularly updated mechanism that tracks its savings plans. This should include the savings that have been agreed, how they will be monitored and the extent to which they have been achieved. The savings should also be built into the authority's annual budget and medium-term financial plan.
- Savings must be publicly agreed and approved by Members and progress against savings plans alongside any variances of deviation from those plans must be publicly reported to Members.

Audit year

2021/22 and 2022/23

Why/impact

Currently, there is no evidence of what savings the Council are pursuing in its annual budgets or in its medium term financial plan. There is no evidence of how the Council is progressing against its savings. The only evidence that currently exists regarding savings is the intention to deliver a savings package in the medium term. There is therefore extremely limited transparency surrounding how the Council actually delivers savings and what savings are achieved come year end.

Management Comments

Agreed. Savings plans of circa £1.3m have been incorporated within the revenue budget set for 2023/24. These savings plans have been approved by Committee and published as part of the overall budget papers in March 2023. Progress against published savings plans will be incorporated within the budget monitor reporting process throughout the 2023/24 financial year.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 2

The Council must continue to work toward building its general unearmarked reserves balance to the target level.

Audit year

2021/22 and 2022/23

Why/impact

Based on current predictions, should the Council's savings plan fail to materialize, this would put increased pressure on the Council's already low level of reserves. If the Council were required to fund the entire funding gap from the reserves (i.e. no savings or budget reductions were delivered), this would only cover the budget gap until 2024/25 before exhausting the reserves balance. The budget gap for 2023/24 is £1.3m, if this were funded by the general reserves and CSR reserve, this would take the balance down to £5.7m. This would be sufficient to cover the 2024/25 budget but would not cover the 2025/26 position.

Management Comments

The Council is currently refreshing its MTRP and undertaking a comprehensive review of the holding or earmarked and available reserves. This will be reported back to Committee before the end of 2023.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 3

The Council must continue to judiciously monitor its progress in managing the Dedicated Schools Grant (DSG) deficit. Members must not underestimate the impact the DSG deficit could have on the overall financial health of the Council.

Audit year

2021/22 and 2022/23

Why/impact

In 2020/21, the Council reported the financial pressure the Higher Needs Block in the DSG was under due to increasing levels of referrals from schools for higher needs support for children. As at 31 March 2021, the DSG deficit stood at £5.8m. By the end of 2021/22, the DSG deficit had increased to £9m. As per the latest budget monitoring report for 2022/23, the Council is reporting the Higher Needs Block to have a forecast deficit of £2.9m in year, with the cumulative DSG deficit of £11.9m.

The Council's current unringfenced general reserves balance as at 31 March 2023 is £5.7m. The DSG deficit is therefore currently greater than the Council's unringfenced general reserves balance. This risk is further exacerbated by the rate at which the DSG deficit is growing. Should the statutory override elapse requiring the Council to absorb the DSG deficit itself, this would totally deplete the unringfenced general reserves balance.

Management Comments

The Council has an approved delivery plan with government which, if delivered, will fully write off the accumulated DSG deficit of £11.9m. Effective governance and monitoring arrangements have been put in place and early progress against the plan has been positive. An upfront payment of circa £5.2m has already been received by Government to offset against the deficit.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 4

The Council should review and evaluate how it sets its capital budget. Consideration of this will enable it to set more realistic budgets going forward.

Audit year

2021/22 and 2022/23

Why/impact

The Council have attributed the movements from the original budget to the revised budgets to re-phasing, slippage or new grants coming online. Although there is monitoring of the capital programme at Council meetings, indications are that focus should be turned to setting realistic capital budgets that allow for sufficient lead time before expenditure is likely to be incurred. Inability to set a realistic capital budget undermines the authority's perceived capability to manage its capital budget and deliver its growth plans. The difficulty in management of the capital programme will become increasingly challenging given the current high level of inflation.

Management Comments

Agreed. The Council is currently in the process of reviewing, and updating, the entire capital investment programme with a clear focus on affordability and deliverability. A more strategic, themed, programme approach is being taken as opposed to consideration of individual projects. An update to the approved Capital Programme will be presented to Cabinet and Council for approval before the end of the calendar year.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 5

The Council should consider the ways in which it can assess whether its services achieve value for money by reviewing explicitly the ways in which services are delivered and a greater understanding of its cost base. The CIPFA Financial Management Code 2020 proposes preparing an annual value for money report, summarizing the action that the Council has taken to ensure that its services deliver value for money and how it has sought to improve economy, efficiency, effectiveness and equity. This will ensure greater integration of financial and non-financial information.

Audit year

2021/22 and 2022/23

Why/impact

At present, there is limited integration of financial and non-financial reporting to Members. The Council should consider the ways it can assess whether its services achieve value for money by reviewing explicitly the way services are delivered and a greater understanding of its cost base. The Council must therefore consider how it can report this clearly to Members and the public.

Management Comments

The Council has embarked on a comprehensive transformation programme with service reviews being rolled out across all areas in compliance with an agreed Target Operating Model. VFM will be tested as part of this process.



The range of recommendations that external auditors can make is explained in Appendix C

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

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Risk

The Council has adequate arrangements in place with respect to risk management. The arrangements were in place for 2021/22 and 2022/23, though there is some room for improvement.

In February 2023, the Audit Committee approved the adoption and implementation of the Council's new Risk Management Policy. The policy was developed in conjunction with the Devon Audit Partnership (the Council's internal auditors) and sets out the Council's commitment to risk management and how it intends to manage risk. The policy spells out the arrangements in place at the organisation to identify strategic risks, understand them, record them within the body's risk management system and assess/score them.

The effective management of risks is considered to be within the expected day-to-day roles and responsibilities of all managers. To give risk management the appropriate profile, the identification and review of risks is a standing item on all directors and managers monthly one-to-one meetings. In addition to the monthly discussions, Service Managers are encouraged to have a collective conversation with their teams at least once a year. This is usually carried out as part of the annual service planning process. This is when teams will collectively review their current risks and mitigations on the SPAR.net system and will identify any new emerging risks whilst setting inherent scores and mitigations.

Corporate performance and risk reports are reviewed quarterly by the Senior Leadership Team, Cabinet and Audit Committee. This enables any areas of concern to be highlighted, followed up and where necessary improvement plans put in place.

Risks are scored using a combination of the probability of the event occurring and the likely impact of the event occurring using a 5x5 matrix. This also includes an update on the direction of the risk. The Council holds all its strategic, corporate and service 'operational' risks (along with the actions taken to prevent them) on its Service Performance & Risk Database - SPAR.net. The risk registers used by the Senior Leadership Team and Audit Committee are created and maintained using the information held on the SPAR.net system.

There is room for improvement regarding risk management at the Council. The last Risk Management Policy prior to the 2023 iteration was from 2016. We therefore raise a recommendation encouraging the Council to implement an annual review of the Risk Management Policy to ensure that such an extended period of time elapses before a review is undertaken. The strategic risk reports presented to Council currently contain a sizeable number of risks. The Council should consider how many risks are reported to Cabinet or the Audit Committee. In the quarter 3 2022/23 report, over 20 risks were reported. In reviewing its arrangements, the committee should bear in mind that the assurance process has a cost to the organisation and it should therefore be proportional to the risk. The Council are currently reporting too many risks to the Audit Committee (20 Corporate Risks). This number does not incentivise members to focus on the priority areas and risks the more important risks being overlooked. The Council must also ensure timely reporting of risks to the audit committee. The Q2 and Q3 risk reports for 2021/22 were presented to the same audit committee in January 2023.

Governance

Audit committee

The purpose of the audit committee is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements at the authority. The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance that those arrangements are effective. We recognise that since the May 2023 elections the make-up of the Committee has changed. We make these comments irrespective of specific make-up and rather of the audit committee in theory.

The Audit Committee at Torbay Council is comprised of seven members of the Council in accordance with the political balance requirements. CIPFA's recommendation in *Audit Committees: Practical Guidance for Local Authorities and Police (2022)* is authorities should strive to have no more than eight members. Torbay's committee is within this threshold with seven. CIPFA recognises that committees of this size should allow sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

As per the Constitution, members of the Cabinet may not be members of the Audit Committee and the Overview and Scrutiny Board or its sub-committee(s). There are no Councillors in the Cabinet at Torbay that are also members of the audit committee. This is in line with recommended guidance as it ensures that audit committee members can act independently in their role and assist in maintaining a nonpolitical approach.

CIPFA recommends that the audit committee include two co-opted independent members. Torbay's audit committee currently has no independent members. We have raised an improvement recommendation in this area.

The injection of an external view can bring a new approach to committee discussions, can offer continuity to the committee outside of the political cycle and help to achieve a non-political focus on committee matters.

To discharge its responsibilities effectively, CIPFA recommends that audit committees should meet regularly – 'at least four times a year.' In 2021/22, the Torbay audit committee met eight times (it would have been ten times but two meetings were cancelled). In 2022/23, the committee met nine times. The committee is therefore well above the minimum recommendation of meeting four times a year.

The audit committee should play a key role in reviewing the Annual Governance Statement (AGS) prior to its approval. The committee reviewed the 2021/22 AGS in July 2022. Members requested changes to a paragraph regarding the Council's wholly owned companies. This demonstrates meaningful review of the AGS as changes are requested to ensure changes accurately reflect Council arrangements.

The audit committee plays a role in reviewing the risk profile of the authority and keeping up to date with significant areas of strategic risks and seek assurance that the risks are being managed effectively and owned properly. The Torbay audit committee ensures oversight of risk management arrangements by taking the Corporate Risk Register to the audit committee quarterly. The new Risk Management Policy was presented and adopted by the Audit Committee on 6th February 2023. This contains the authority's risk statement and risk management system.

CIPFA recommends in *Audit Committees: Practical Guidance for Local Authorities and Police (2022)* that the audit committee report directly to full Council to maintain the importance and nonpolitical advisory function of the committee. At Torbay, the Audit Committee fulfils this recommendation and reports directly to full Council.

The audit committee is a non-political committee with different obligations to a scrutiny committee. It is important for audit committee members to maintain an apolitical approach. The separation from executive roles is an example of a measure that is recommended to maintain the audit committee's apolitical function.

In the prior year, we raised a recommendation surrounding the separation of the performance and risk reporting and the re-channeling of the performance reports to a scrutiny committee and the risk reporting to audit committee. We raised this recommendation in light of the evident increasing politicization of the audit committee (almost a natural consequence of covering performance in the meetings). The Council continued to take performance reports to audit committee throughout 2021/22 and 2022/23. However, we have been informed that for 2023/24, the Council have implemented this recommendation so we will not raise an additional recommendation in this report. As the Council did not implement this recommendation during 2022/23, there was some evidence of politicization of the committee, in particular, at the meeting in February 2023. Members at this meeting were pre-occupied discussing performance information rather than focusing on the functions of an audit committee. The Council's implementation from April 2023 will ensure appropriate arrangements are in place that maintain the apolitical non-scrutiny function of the audit committee.

Internal audit

The Council has an adequate and effective internal audit function to monitor and assess the operation of internal controls. This was in place for all of 2021/22 and 2022/23.

Governance

Torbay's internal audit service is performed by a joint committee arrangement known as the Devon Audit Partnership which comprises of Torbay, Torridge, North Devon, Mid Devon and Devon County Council. The audit committee has an important role to play in supporting the process of internal audit and outputs from audit work.

An effective internal audit function is instrumental to an authority's ability to monitor and assess the effective operation of internal controls. The 2021/22 Annual Internal Audit Report found there to be 'Reasonable Assurance' on the adequacy and effectiveness of the Council's internal control framework. The exception was in Children's services which continued to be 'Limited Assurance.' The activity and performance of Children's services is discussed in the 3Es section of the report. The overall internal audit opinion for the year shows there to be generally sound systems of governance, risk management and control in place across the organisation.

The audit committee annually receives and approves a risk-based internal audit plan, which sets out its key activities and work programme for the year. Internal audit presented the 2023/24 internal audit plan to the Audit Committee on 22 March 2023.

The Council has adequate arrangements in place in respect of the prevention and detection of fraud. This was in place for all of 2021/22 and 2022/23. The Council has a new Counter Fraud and Corruption Policy which was published in March 2023. The strategy is reviewed regularly and has been communicated to all staff and is available on the Council website. The Council's whistleblowing policy is also available on the Council's website and intranet. The Council has an established phone line for any whistleblowing calls, which go directly to Internal Audit which has responsibility for dealing with these issues in the first instance. The Council has a Fraud and Counter Corruption Officer who is accountable to the Head of Finance. The Council's website enables members of the public to report any suspicions of anyone committing fraud or corruption.

Council-owned companies

Torbay Council has interests in several companies:

- SWISCo
- Torvista Housing
- Torbay Education Limited

- RICC company
- TDA Group: Torbay Economic Development Company Ltd, trading as TDA. Includes: TDA, Kings Ash Holdings, Complete Facilities Management Services, C & A Consultancy, Business Centres South West, TEDC Developments and Torvista Homes
- CSW Group Ltd

There are risks associated with Council-owned companies as, typically, where companies are Council-owned that means Councils are ultimately responsible for the financial risks and benefits of those companies. Many Councils have chosen to continue to fund failing companies rather than facing the reputational damage of winding up a loss-making company.

2021/22 was the first full year of trading for SWISCo and Torvista Housing. In November 2021, Torbay Education Limited became operational providing a medical tuition service to the Council and from April 2021 a private contractor took control of the Riviera International Conference Centre so the RICC company stopped trading.

TDA has six 100% owned subsidiaries, Complete Facilities Management Services Limited, KAH Holdings Limited, Business Centres South West Limited, C&A Consultants (Torquay) Ltd, TEDC Developments Ltd and TorVista Homes Ltd. In 2019/20, Torbay Education Limited was established to operate the Council's medical tuition school. The company became operational in November 2021. From April 2020 the Council had expected to commence a new contract for the management of the Riviera Centre. Due to the economic impact of COVID the start date was delayed (now April 2021). Therefore, the Council took control of the appointments of the Board thus taking effective control over the company for just 2020/21 only. The new contract started April 2021 therefore the company from that date was not trading.

The Council provided additional support of £0.6m to SWISCo during 2021/22, allowing SWISCo to finish the year with a small surplus position. The latest budget monitoring report for 2022/23 shows SWISCo to be under financial pressure due to higher operational costs, including the pay award. The Council agreed to fund the company with an additional £0.6m to meet the shortfall in the pay award and as at quarter 3, this appeared sufficient to ensure SWISCo delivers a balanced budget.

Governance

There do not appear to be any significant issues associated with Council owned companies at the time of writing. The Council have had to provide monetary support to SWISCo twice in the period in question which signifies an element of financial risk, however, at present the values are not such that they present a risk to the Council's overall financial sustainability. The Council must continue to provide appropriate and adequate financial governance and monitoring of group entities and scrutinize investment or loan decisions to companies. Companies present a financial risk to the Council and the implications of this must be well understood by the authority.

Compliance

As confirmed with the Monitoring Officer, for the period from April 2021, there has been no evidence of pervasive or significant weaknesses in the Council's internal control arrangements, especially where these have had a significant financial/service-delivery impact or exposed the body to fraud. There has been no evidence of unlawful decision-making or decision-making that would lead to significant loss or exposure to significant risk or reputational risk such as conflicts of interest. There has been no evidence of significant non-compliance with the Council's constitution. There have been no breaches of legislation or regulatory standards during 2021/22 or 2022/23 that have led to an investigation by any legal or regulatory body. Finally, there has been no evidence of significant or repeated departure from key regulatory or statutory requirements or professional standards.

We also draw on the findings of the 2021/22 'Reasonable Assurance' internal audit opinion and our own external audit work to reach the conclusion that there is no evidence of significant non-compliance at the authority for the period in question.

Workforce

The Council employs 1,008 people (984 in 20/21). The 'Thriving Economy' component of the Council's four visions in its Corporate Plan speaks of hopes to be 'well-connected with skilled individuals... and higher quality, better paid jobs.' One significant change regarding the workforce during the pandemic has been that most staff continue to work from home full time or on a part time basis with reduced office capacity. During 2021/22, the Council also invested in IT that supports flexible working though this change has not had a fundamental impact on the work of the Council.

In the 2023/24 budget, one of the proposals for savings and efficiencies relating to the workforce surrounds the reduced use of agency staff. The Council note the anticipated outcome: 'the fundamental purpose of this proposal is to ensure a qualified and skilled permanent workforce that ensures children and families are always at the centre of what we do and benefit from quality services that meet their needs. We aim to continue to reduce the use of agency staff, to create a permanent, stable and sustainable workforce, which in turn creates a consistent and quality service to children and families, and a reduced turnover and vacancy rate.' This is in line with the Council's 'Thriving People' vision in the Corporate Plan.

We note that there is a lack of a clear strategic direction with regard to the workforce at the Council. The Council should seek to develop a People Strategy covering at least the medium term period to set out the strategic direction of the Council's workforce and how it intends to develop its capacity and capability to deliver the Council's ambitions and priorities. A people strategy is an overall plan developed by an organisation to ensure that its short and long term priorities are effectively delivered through its workforce. It focuses on a range of planned activity for employees to be recruited, managed and developed, in order to build the capacity and capability of the workforce as well as creating the organisational culture required for success. It is multi-faceted and focuses on a wide range of areas including equality, diversity and inclusion, learning and development, employee performance, change management, organisational culture, leadership, people management, recognition, recruitment and retention. This would provide the Council with strategic direction regarding people and the workforce.

Conclusion

Overall, the Council have adequate arrangements in place with respect to governance for 2021/22 and 2022/23. There is room for improvement in relation to risk management, the audit committee and the development of a People Strategy. Generally, the Council has a strong approach to risk management. This is evident from the journey the Council has been on from 2020/21 to present day. The quality of reports has improved significantly. There are risks associated with Council-owned companies as, typically, where companies are Council owned that means Councils are ultimately responsible for the financial risks and benefits of those companies. SWISCo required funding in 21/22 and 22/23 so the Council must continue to manage the risks associated with this. The governance arrangements are effective, no significant weaknesses found.

Improvement recommendations



Governance

Recommendation 6

Risk

- a. The Council should implement a regular review of its risk management policy. We recommend a yearly review.
- b. The Council should reconsider how many risks are reported to Cabinet in the Risk Reports.
- c. The Council should ensure timely reporting of risks to the audit committee.

Audit year

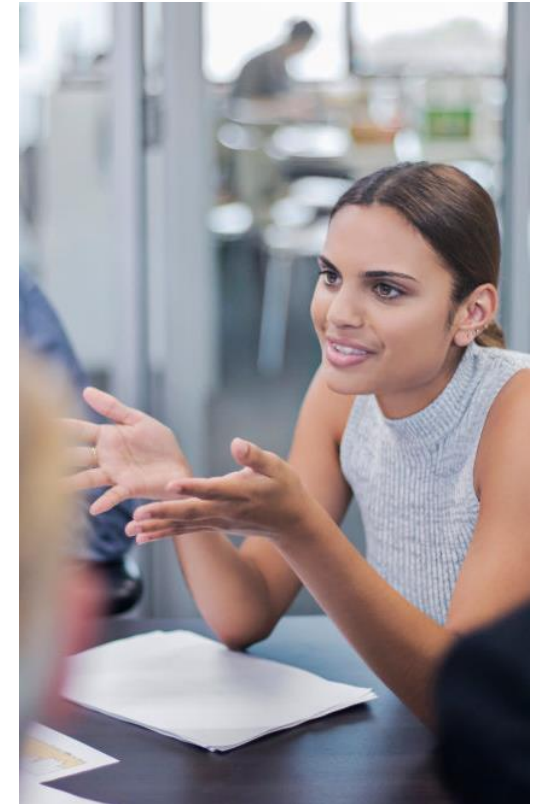
2021/22 and 2022/23

Why/impact

- a. The last Risk Management Policy was from December 2016. This was updated in February 2023. This is a seven-year period between reviews. The Council must seek to ensure that it reviews its risk management policy more frequently than this.
- b. The latest Q3 risk report for 2022/23 showed over 20 risks which is a considerable number of risks. The Council should question whether too many risks are being reported. In reviewing its arrangements, the committee should bear in mind that the assurance process has a cost to the organisation and it should therefore be proportional to the risk.
- c. The Q2 and Q3 risk reports for 2021/22 were presented to the same audit committee in January 2023.

Management Comments

- (a) Agreed. The Council will ensure that its risk management policy is reviewed, through the audit committee, on at least a bi-annual basis;
- (b) Agreed. The Council is currently reviewing the various levels of risk reporting, ensuring that only highest level strategic / corporate risks are reported through Cabinet and Directors.
- (c) Agreed. This has been addressed.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Recommendation 7

The Council should seek to include two independent co-opted members to the audit committee in line with CIPFA guidance *Audit Committees: Practical Guidance for Local Authorities and Police (2022)*.

Audit year

2021/22 and 2022/23

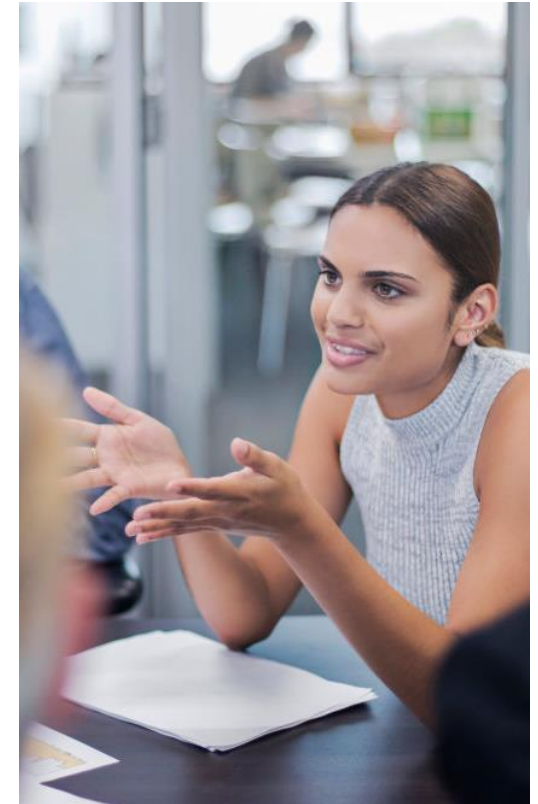
Why/impact

Torbay's audit committee currently has no independent members. The reasons for CIPFA's recommendation are as follows:

- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting.
- To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.
- To help achieve a non-political focus on governance, risk and control matters.
- Having two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience, increase the resilience and continuity of the committee.
- Having two co-opted members shows a commitment to supporting and investing in the committee.

Management Comments

Agreed. The Council has, with a number of other authorities across Devon, engaged in a recruitment campaign for suitable independent audit committee members. We are looking to appoint at least one independent member prior to the end of 2023.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Recommendation 8

The Council should seek to develop a People Strategy covering at least the medium term period to set out the strategic direction of the Council's workforce and how it intends to develop its capacity and capability to deliver the Council's ambitions and priorities.

Audit year

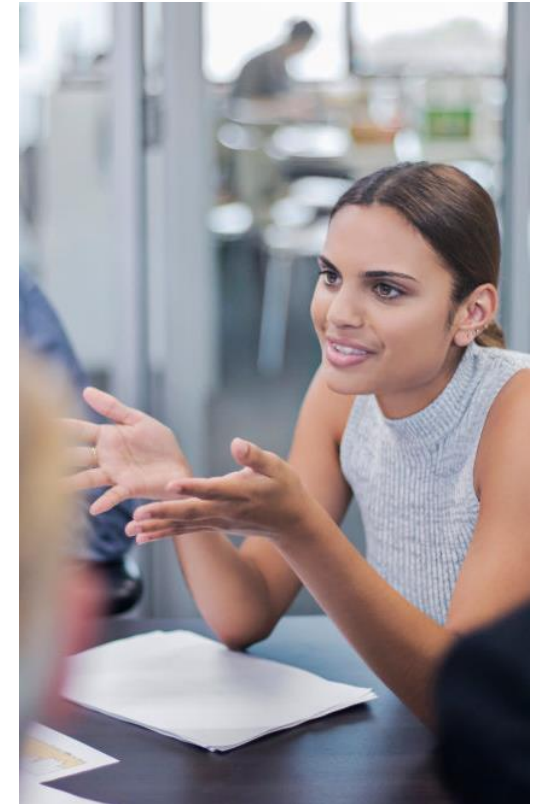
2021/22 and 2022/23

Why/impact

A people strategy is an overall plan developed by an organisation to ensure that its short and long term priorities are effectively delivered through its workforce. It focuses on a range of planned activity for employees to be recruited, managed and developed, in order to build the capacity and capability of the workforce as well as creating the organisational culture required for success. It is a multi-faceted that focuses on a wide range of areas including equality, diversity and inclusion, learning and development, employee performance, change management, organisational culture, leadership, people management, recognition, recruitment and retention. This would provide the Council with strategic direction regarding people and the workforce.

Management Comments

We will aim to adopt a high level People Strategy before the end of the 2023/24 financial year.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance

Torbay Council's service performance during 2021/22 and 2022/23 was driven by the Council's Community and Corporate Plan 2019-2023 'One Torbay: Working for all Torbay.' The Council are currently be in the process of refreshing this Corporate Plan. We note that the last Corporate Plan only covered a 4-year period. We recommend that the Council extend the life cycle of the Corporate Plan to cover a 10-year period. A longer-term perspective is essential if local authorities are to demonstrate the development and improvement of their services alongside the financial sustainability of the organisation. The Corporate Plan should set the strategic direction of the organisation and its vision for the future. The Council should design and implement a corresponding Council Business Plan which sets out the plan of action of how the Council plans to achieve the objective set out in the Corporate Plan. The Business Plan should have an agreed set of key performance indicators that the Council can report against at senior officer and member level to ensure transparency and accountability for the achievement of its goals. The Council must ensure that the new Corporate Plan and Council Business Plan are strategically aligned with the Medium-Term Financial Strategy.

At present, Council performance is reviewed and scrutinized at Overview and Scrutiny Committee. The committee reviews Council performance in relation to its policy objectives, performance targets and particular service areas. Performance reports are also taken to Audit Committee quarterly, though we have made an improvement recommendation to stop this as it potentially undermines the function of an audit committee.

The Council's Senior Leadership Team oversee the delivery of the Community and Corporate Plan, ensuring that it is delivered, whilst seeking to maximise efficiencies, income and savings (in accordance with the requirements of the Medium-Term Resource Plan) and create service resilience.

During 2021/22, the Council has revised its performance reports, improved the timeliness of its performance reporting timetable and enhanced the engagement with both cabinet and audit committee elected members. An updated approach to service planning has been devised which drives the golden thread of performance management from the corporate plan through to service delivery outcomes. In addition to this, the service planning process has developed an opportunity to hold a performance and finance challenge process, known as Star Chambers. The outcomes of the challenge feed directly into the Council's annual budget setting and medium-term resource plan. The Senior Leadership Team are responsible for monitoring the delivery of the service plans and any improvement plans that the Council has in place. Included within the service plans are each service's risks.

An example of the Council achieving improved outcomes in relation to the revised process to review performance relates to recycling. During 2021/22, the Council reflected on its performance regarding its recycling data and noted that the volume of recycling waste was returning to pre-pandemic levels. In response to this, the Council has recruited new recycling coordinators to help promote and support Torbay's residents to recycle more. This has had positive impacts on the Council's ability to manage the recycling demand and make the service more efficient.

Improving economy, efficiency and effectiveness

There is evidence of a number of performance indicators improving from 20/21 to 21/22. The number of looked after children was 300 at the end of March 2022 which is 20 fewer than in March 2021. There were 2,036 social care referrals to Children's Services in 21/22 which is a decrease of 206 from the previous year. The percentage of commercial waste recycled over 2021/22 was 29.6% which is above the target of 25% and an increase on the previous year's figure of 25.92%.

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 Although there have been some positives, there is still room for improvement in regard to a number of performance indicators. The number of people in temporary accommodation increased from 22 in Q4 of 20/21 to 127 in Q4 of 21/22. Weekly gross earnings by residence for full time workers in 2021 was £541 which is well below the UK target of £613.10. Earnings by workplace was £528.70 in 2021 against a Council target of £612.80. The number of complaints dealt with on time fell from 54% in 2020/21 to 49% in 2021/22. The number of complaints logged in 2021/22 grew from 298 to 443.

In June 2023, the Council was awarded the 'Most Improved Council of the Year' for 2022 at the LGC Awards. The judge described the Council as an example of an organisation with 'financial grip' and the wherewithal to recognise the need to continue 'this impressive improvement trajectory.' This speaks to the Council's effort towards investing in improving its operational and service performance.

The Council last agreed a performance and risk strategy framework in 2020. The update of the Corporate Plan and Business Plan should provide the necessary performance framework review to direct service delivery improvements.

Procurement

Procurement at Torbay Council is governed by the Council's Financial Regulations and Contract Procedure Rules which form part of the Council's Constitution which was most recently updated on 5 June 2023. The Council also have a Procurement Strategy which was approved in August 2020 and ran up till March 2023. Therefore, during 2021/22 and 2022/23, the Council had a Procurement Strategy in place which was based on the National Procurement Strategy.

In 2022/23, the Council developed the Torbay Economic Growth Strategy 2022-2030. Procurement features in this framework as the Council state the intention of establishing a net zero emission economy. The Council are therefore focusing on developing approaches to address procurement and encouraging social benefit from the commissioning and procurement of goods and services through a Community Wealth Building approach. The Council also aim to promote environmental sustainability through sustainable decision-making in the procurement of goods and services.

External services at the Council are commissioned by the Corporate Procurement Team (CPT) who ensure that external organisations are aware of the authority's anti-fraud, bribery and corruption policy. The Procurement Policy also requires employees to act in accordance with best practice and the procurement toolkit ensures this process is consistent.

Within the Council's new Risk Policy published in March 2023, the authority outlines the expectation that contract management, and specifically contract risks, is/are expected to be managed on an individual contract basis and set and reviewed by the contract manager within the service line with guidance from a relevant specialist within the Procurement, Contract Management and Commissioning Team.

All contracts over £5,000 are expected to be recorded on the Council's Contract Register. The register gives the details of each contract including the end date. Details of current awarded contracts can be found on the e-portal Contracts Register. This is publicly available on the Council's website in compliance with legislative requirements.

The procurement function do not currently report on procurement key performance indicators (KPIs) on a regular basis to any specific Council committees or Senior Leadership Team (SLT). Reporting is currently on an ad hoc or case by case basis.

The Council has in the past produced a Procurement, Contract Management and Commissioning Activity Report which was presented to SLT at the end of 21/22 for Q3 but due to the time taken collating the information and producing the report it was agreed that this would be paused and reviewed as part of the Transforming Procurement Programme described later in this section. We have raised a recommendation surrounding the need to report to audit committee on exemptions to the Contract Standing Orders. The procurement function should report on the value, number and nature of the waivers at least quarterly to audit committee.

Improving economy, efficiency and effectiveness

It is important to note that there has been significant improvement in the procurement activities at Torbay since 2020. Following a restructure in 2020, the procurement team took on a contract management function following the recognition that Council employees who managed contracts did not have anywhere to go for advice and support on contract management. The Council therefore introduced two members of staff whose role would be to provide support on contract management. The procurement team is currently made up of approximately ten employees. The Head of Procurement reports to the Director of Finance. One Procurement Officer oversees the relationship between suppliers and the Council's wholly owned companies to ensure that the Council's procurements/contracts are appropriately understood with respect to its companies as well as the Service Level Agreements (SLAs) held with the Council's companies. The procurement team has recently introduced the role of a project manager to help with the transition to the new Procurement Act 2023.

This is a significant undertaking which the Council recognises and is investing time and resource to prepare for, including, considering a redraft of the Contract Procedure Rules which is due to be presented at the December 2023 Cabinet meeting. The new procedures should enable the Council to operate both within the current rules and under the new Act when it gains royal assent.

The procurement team has produced a Service Plan for 2023/24 to set its strategic direction. The Transforming Procurement Programme is underway and this covers the Council and its wholly owned companies.

The programme is supported by the Transforming Procurement Board which is chaired by the Section 151 officer. The Council have developed a comprehensive terms of reference for the programme which details the aims of the Board, its purpose, its core objectives and the specific roles and responsibilities of its members. The programme's objective is to transform the way procurement functions at the Council. The Council has already made some evident improvements (e.g. the introduction of the contract management function) but there is still room for transformation and improvement. The Council has focused on incremental changes which should facilitate a steady transformation into a more efficient and effective procurement function. Overall, procurement at Torbay has significantly improved but is still very much on a journey.

Service performance: children's services

The ongoing demand and cost of social care for both adults and children continues to pose a challenge and risk for local authorities in England. Torbay Council finished 2021/22 with a balanced budget which included an underspend on Children's Services for the second year in a row. This provides some evidence that the Council can financially manage the service. Performance-wise, the Council faced an Ofsted inspection in the final few weeks of the 2021/22 financial year which concluded that in all four areas, its service was rated 'Good'. The Council has demonstrated in 2021/22 that it can deliver value for money within Children's Services by attaining improved outcomes within a financially sustainable delivery model.

In November 2021, a joint Ofsted/CQC inspection of the local area of Torbay found significant areas of weakness in the implementation of SEND reforms across the area.

In April 2022, an Ofsted inspection of Children's Services found all areas to be rated 'Good'. The Council's 'radical transformation' Ofsted's report acknowledged which it attributed to a clear and ambitious improvement plan based on an understanding of the causes of inadequate practice and a strong political and corporate commitment to the improvement agenda. The Council was graded as 'good' in the impact of leaders on social practice, the experience and progression of children who need help and protection and the experiences and progress of children in care and care leavers. The report stated that 'the services that children now receive are consistently effective.' Ofsted found 'services for children in Torbay have significantly improved...strong political and corporate commitment to the improvement agenda has enabled the local authority to change the trajectory of social work practice so that services in Torbay are now good. This is an impressive achievement.' This progress provides a strong foundation against which the Council can achieve its corporate ambition of sustaining a 'Child Friendly Torbay.'

By May 2022, the Statutory Direction against Children's Services was lifted, demonstrating a clear, landmark improvement in the authority's management of Children's Services.

As per the 2021/22 accounts, the Council has enjoyed improvement in Children's Services during the year. From 2020/21 to 2021/22, the number of looked after children decreased by 20 the number of social care referrals decreased by 206.

Improving economy, efficiency and effectiveness

The Council has continued to build on its achievements in Children's Services in 2022/23. In April 2023, Torbay Council, in partnership with NHS Devon Clinical Commissioning Group (CCG) and the Integrated Care System (ICS) for Devon co-produced the 'Torbay Local Area Written Statement for Action' outlining the steps the partnership aims to take to improve services for SEND. The Board committed to aligning resources to drive sustained improvement and working determinedly for a 'Child Friendly Torbay'. The action plan includes clear measures of performance, impact and progress to ensure accountability for the objectives laid out. The statement represents a clear definition of the trajectory of SEND in Torbay and demonstrates a clear commitment to improvement of Children's Services.

The Council resolved to approve the revised Corporate Parenting Strategy 2022-25 in 2023. The strategy is in the context of the Council's ambition to ensure all children, young people and care experienced young people are safe, happy and healthy in order to reach their full potential. The strategy outlines the Council's aspirations of corporate parenting and how the local authority aims to work alongside partners to achieve its 'Child Friendly' Torbay ambitions. In the April 2022 Ofsted report, the regulator found Torbay to be 'a highly ambitious corporate parent' working hard to create employment opportunities for care leavers and working in partnership to do so.

In terms of the Council's Q3 2022/23 performance in children's based on its Council Plan, there is a mixed picture. The Council is above its target in the percentage of referrals in the period that were previously open to Children's Services within the last 12 months. The Council are currently reporting 22% against a target of 25%.

In the rate per 10,000 children of cared for children at the end of the period the Council is performing below target. Q3 evidences an increase in the rate of children becoming cared for though this has been impacted by the standing up of an asylum seeker hotel in Torbay and a disproportionate number of residents presenting as unaccompanied minors. The Council are performing at 130 against a target of 115. The Council appear to have an understanding of the causes of this rise which is positive as it means improvement plans can be tailored accordingly.

Against the indicator 'annualised rate of per 10,000 children of referrals to Children's Services in the period,' the Council is 'on target'. Torbay is an outlier in number of families requiring statutory intervention but this risk is mitigated by its quality assurance audit activity. The Council is only performing marginally below target with 790 against a target of 786. The Q3 figure is still well below its 2021/22 actual which was 818.

Overall, to echo Ofsted's evaluation, the Council has made remarkable progress in Children's Services in 2021/22 and 2022/23. The Council should continue to direct effort and focus on maintaining this commitment to improvement in the area.

Conclusion

The Council has improved significantly performance-wise, exemplified by the win of the Most Improved Council award in the LGC awards for 2022. The Council has shown significant improvement in several performance indicators from 20/21 to 21/22 and then again from 21/22 and 22/23. There is, however, still room for improvement against many indicators. The Council recognise this and are already putting effort toward this. The procurement function is also at the early stages of an improvement journey. The Council has put the appropriate governance arrangements in place to manage its procurement transformation programme and have already implemented changes that have had a positive impact on the operations of the team. Children's Services has, similarly, improved from 2021/22 to 2022/23. This has been met with a corresponding relaxation on external supervision. Overall, appropriate arrangements are in place with regard to the Council's arrangements to achieve economy, efficiency and effectiveness.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 9

The Council should consider developing a ten-year Corporate Plan and supporting Business Plan.

Audit year

2021/22 and 2022/23

Why/impact

The last Corporate Plan only covered a 4-year period. We recommend that the Council extend the life cycle of the Corporate Plan to cover a 10-year period. A longer-term perspective is essential if local authorities are to demonstrate the development and improvement of their services alongside the financial sustainability of the organisation. The Corporate Plan should set the strategic direction of the organisation and its vision for the future. The Council should design and implement a corresponding Council Business Plan which sets out the plan of action of how the Council plans to achieve the objective set out in the Corporate Plan. The Business Plan should have an agreed set of key performance indicators that the Council can report against at senior officer and member level so as to ensure transparency and accountability for the achievement of its goals. The Council must ensure that the new Corporate Plan and Council Business Plan are strategically aligned with the Medium-Term Financial Strategy.

Management Comments

Agreed. The Council will be presenting a new 10 year Corporate Plan for Committee approval in December 2023. There will be a new 4 year Business Plan linked to the corporate plan which will feed into the 2024/25 budget setting process and Medium Term Resource Plan revision.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 10

The Council should consider reporting on a greater suite of procurement indicators to Audit Committee. These indicators should include the value and number of waivers to the Contract Standing Orders. Inclusion of details of patterns including reasons why waivers were raised and directions of travel in terms of plans for reductions of use of waivers will bolster this tracking.

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Audit year

2021/22 and 2022/23

Why/impact

The procurement function do not currently report on procurement key performance indicators (KPIs) on a regular basis to any specific Council committees or Senior Leadership Team (SLT). Reporting is currently on an ad hoc or case by case basis. Greater transparency and visibility of waivers will hold contract managers accountable and promote self-reflection on the validity of granting high numbers of waivers.

Management Comments

The Council’s Transforming Procurement Programme will result in a revision to Financial Regulations and Contract Standing Orders which will ultimately reduce the number of waivers that the Council processes. In the meantime, the S151 Officer holds weekly meetings to consider, challenge and approve waivers under the existing arrangements. We will consider future reporting options as part of the transformation work.



The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

1	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.	Improvement	May 2022	The Council's budgeting process now includes a consideration of the level of all services provided and how it can meet statutory requirements while achieving a balanced budget in the medium term.	Yes	No
2	Currently, the quarterly performance reports are presented to Audit Committee for review and challenge. It would be more appropriate for the performance reports to be present to Overview and Scrutiny Board and for the risk reports to remain with Audit Committee so their focus is on the updated risk register and mitigating actions being taken to address it. The responsibilities of the Audit Committee and Overview and Scrutiny Board should be clearly split and this would be apparent by not taking the performance reports to a non-scrutiny committee.	Improvement	May 2022	We acknowledged the auditor's comment contained in their report last year and have actioned the recommendation. As from 1st April 2023 the performance reports will now be presented to Overview and Scrutiny Committee and the risk reports will continue to be presented to Audit Committee. Following the recent election in May 2023, members are receiving training as part of the induction programme to support them in their new roles.	Yes	No

Opinion on the financial statements for 2021/22



Audit opinion on the financial statements

Our audit remains underway and will recommence in October 2023.

Preparation of the accounts

The authority provided draft accounts in line with the national deadline and provided working papers to support

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



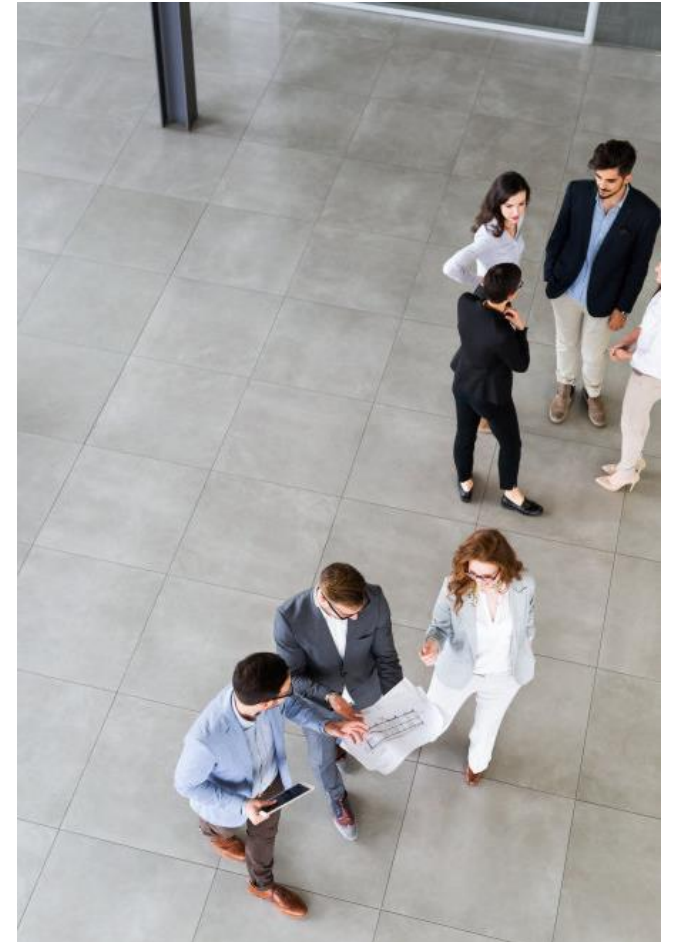
Opinion on the financial statements for 2022/23



Audit opinion on the financial statements

We have not commenced the 2022/23 audit.

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Appendices

Appendix A – Responsibilities of the local authority

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

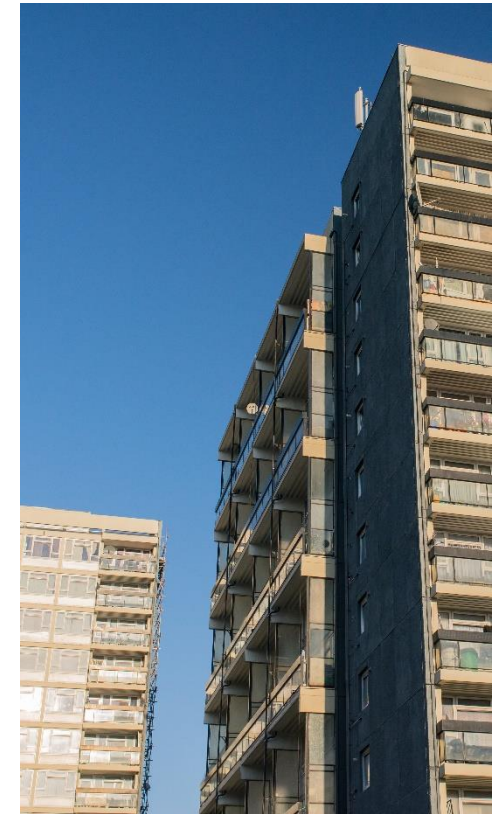
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the local authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the local authority will no longer be provided.

The local authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the local authoritys arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 and / or 2022/23	Financial sustainability was not identified as a potential significant weakness, see pages 6 to 18 for more details.	N/A – no risk of potential significant weakness identified	See pages 6 to 18.	Appropriate arrangements in place, five improvement recommendations raised in 21/22 and 22/23.
2021/22 and / or 2022/23	Governance was not identified as a potential significant weakness, see pages 19 to 26 for more details.	N/A – no risk of potential significant weakness identified	See pages 19 to 26.	Appropriate arrangements in place, three improvement recommendations raised in 21/22 and 22/23.
2021/22 and / or 2022/23	Improving economy, efficiency and effectiveness was not identified as a potential significant weakness, see pages 27 to 33	N/A – no risk of potential significant weakness identified	See pages 27 to 33.	Appropriate arrangements in place, two improvement recommendations raised in 21/22 and 22/23.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the local authority's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the local authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the local authority. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the local authority, but are not a result of identifying significant weaknesses in the local authority's arrangements.	Yes	14 to 18, 23 to 26, 32 to 33

Appendix D – Sources of evidence



Staff involved

- Ann-Marie Bond, Chief Executive
- Amanda Barlow, Monitoring Officer
- Martin Philips, former Director of Finance
- Malcolm Coe, Director of Finance
- Ian Rowswell, Deputy Director of Finance
- Patrick Rafferty, Adult Social Care Capital Manager
- Matthew Fairclough-Kay, Director of Corporate
- Eve Bates, Senior Performance & Risk Officer
- Tracey Field, Head of Procurement
- Kate Spencer, Head of Policy, Performance & Community Engagement
- Adrian Burrell, Member Support Officer



Documents Reviewed

- Medium Term Resource Plan April 2022
- Statement of Accounts 2021/22
- Budget Monitoring Reports 2021/22 and 2022/23
- Chief Finance Officers Reports 2021/22, 2022/23 and 2023/24
- Cabinet Response to Consultation
- Review of Reserves 2021/22, 2022/23 and 2023/24
- Treasury Management Strategy 2021/22, 2022/23 and 2023/24
- Capital Strategy 2021/22, 2022/23 and 2023/24
- Corporate Asset Management Framework
- Capital Plan
- 2022/23 budget
- 2021/22 budget
- Statement of Accounts 2020/21
- Proposals for efficiencies, income generation and service change 2021/22, 2022/23 and 2023/24
- Torbay Council Constitution
- Corporate Risk Registers 2021/22, 2022/23 and 2023/24
- Risk Reports 2021/22, 2022/23 and 2023/24
- Internal Audit Annual Audit Report 2021/22
- Internal Audit Half Year Report 2021/22
- Internal Audit Plan 2022/23
- Internal Audit Half Year Report 2022/23
- Internal Audit Follow Up Reports
- Inspection of local authority children's services March 2022
- Counter Fraud and Corruption Policy
- HR Investigations and Whistleblowing
- Risk Management Policy
- Appointment of the New Chief Executive
- Annual Audit Report – Internal Audit 2021/22
- Complaint performance reports
- Community and Corporate Plan 2019-2023
- Corporate Parenting Strategy
- Torbay Economic Growth Strategy
- Torbay Local Plan
- Children and Young People's Plan
- Social Value Policy
- Procurement Strategy 2020 to 2023
- Torbay SEND Strategy
- Torbay Youth Justice Plan
- Children's Services Self-Assessment
- SEND Written Statement of Action Update on SEND Improvement Work

Appendix E - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

NAO – National Audit Office

AGS – annual governance statement

The Code - Code of Audit Practice

SOLACE – Society of Local Authority Chief Executives

CIPFA – Chartered Institute of Public Finance and Accountancy

VfM – Value for Money

AGN - Auditor Guidance Note

SMT – Senior Management Team

DSG – Dedicated Schools Grant

DfE – Department for Education

MTFS – medium term financial strategy

PSIAS – Public Sector Internal Audit Standards

S151 – Section 151

IMO – independent monitoring officer

KPI – key performance indicator

HR – human resources

SLA – Service Level Agreement

PMO – Project Management Office

CSR - Comprehensive Spending Review

MTRP - medium term resource plan

CAMT - Corporate Asset Management Team

EHCP - Education, Health and Care plan

PWLB – Public Works Loan Board

CGB - Capital Growth Board

Meeting: Audit Committee **Date:** 26 July 2023

Wards affected: All

Report Title: Annual Governance Statement 2022/2023

When does the decision need to be implemented? Immediately

Cabinet Member Contact Details: Councillor David Thomas, Leader of the Council,
david.thomas@torbay.gov.uk

Director/Divisional Director Contact Details: Kate Spencer, Head of Policy, Performance and
Community Engagement kate.spencer@torbay.gov.uk

1. Purpose of Report

- 1.1 The preparation of the Annual Governance Statement provides the opportunity for the organisation to review its processes, controls and objectives and to provide assurance to Members, Senior Officers and stakeholders as to the reliability of its Statement of Accounts and the probity of its operations.
- 1.2 The Annual Governance Statement fulfils the statutory requirement in England for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.

2. Reason for Proposal and its benefits

- 2.1 The Statement sets out publicly the extent to which the Council complies with its own code of corporate governance (part of the codes and protocols of the Constitution), including how it monitored and evaluated the effectiveness of its governance arrangements in the year.
- 2.2 The reason for the decision is to meet the requirements of the Accounts and Audit (England) Regulations.

3. Recommendation(s) / Proposed Decision

1. That the draft Annual Governance Statement for 2022/2023 be agreed and forwarded to the External Auditors for comment.

Appendices

Appendix 1: Draft Annual Governance Statement 2022/2023.

Supporting Information

1. Introduction

- 1.1 The Annual Governance Statement for 2022/23 has been prepared and if agreed by Audit Committee, will be sent to External Auditors with the Annual Statement of Accounts for comment to be finally approved by Audit Committee later in the year.
- 1.2 Regulations require every local authority to include in their annual Statement of Accounts an Annual Governance Statement signed by the Leader of the Council and the Chief Executive.

2. Options under consideration

Not applicable

3. Financial Opportunities and Implications

- 3.1 There are no financial commitments to the council beyond the officer time involved in collating this report.

4. Legal Implications

- 4.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.

5. Engagement and Consultation

- 5.1 The Statement is prepared with information from Officers, Senior Officers and Internal Audit reports. It has been reviewed by the Chief Executive and Leader of the Council.

6. Purchasing or Hiring of Goods and/or Services

Not applicable

7. Tackling Climate Change

Not applicable

8. Associated Risks

8.1 That the requirements of the Accounts and Audit (England) Regulations are not adequately met.

9. Equality Impacts - Identify the potential positive and negative impacts on specific groups

	Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
Older or younger people			There is no differential impact.
People with caring Responsibilities			There is no differential impact.
People with a disability			There is no differential impact.
Women or men			There is no differential impact.
People who are black or from a minority ethnic background (BME) (Please note Gypsies / Roma are within this community)			There is no differential impact.
Religion or belief (including lack of belief)			There is no differential impact.
People who are lesbian, gay or bisexual			There is no differential impact.
People who are transgendered			There is no differential impact.
People who are in a marriage or civil partnership			There is no differential impact.
Women who are pregnant / on maternity leave			There is no differential impact.

Socio-economic impacts (Including impact on child poverty issues and deprivation)			There is no differential impact.
Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			There is no differential impact.

10. Cumulative Council Impact

None.

11. Cumulative Community Impacts

None.

ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2022/2023

Scope of responsibility

Torbay 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. Torbay 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 Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Torbay 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'. The code is included in the Council's Constitution which is available on the Council's website at <http://www.torbay.gov.uk/DemocraticServices/ieListMeetings.aspx?CId=458&info=1>

This statement explains how Torbay Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority 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 that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Torbay Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework

The Constitution

The Constitution sets out the main elements of the governance framework of Torbay Council, in particular how decisions are made and the procedures which are followed, to ensure that these are efficient and transparent and that decision makers are accountable to local people.

Torbay Council operates a Leader and Cabinet model of governance. The Leader of the Council and the Cabinet are responsible for major decisions including key policy matters within the framework set by the Council. These are referred to as “Executive Functions”. When major decisions are to be discussed or made, these are published in the Forward Plan in so far as they can be anticipated. The Cabinet collectively takes decisions at meetings of the Cabinet and these meetings will generally be open for the public to attend except where exempt or confidential matters are being discussed.

The Constitution includes Standing Orders, Financial Regulations and the Scheme of Delegated Powers and is available on the Council’s website. It is underpinned by Codes of Conduct for Members and Employees and a range of local protocols. The Constitution includes the Council’s Code of Corporate Governance.

As the previous local elections in May 2019 left no party with overall control of the Council, the Liberal Democrat Group and Independent Group signed a partnership agreement and joined together to form the administration of the Council between May 2019 and May 2023.

At the election in May 2023, the Conservative Group gained the majority of seats, resulting in a change in the control of the Council and a new Leader of the Council and Cabinet.

The Cabinet must make decisions which are in line with the policies and budget set by Council. If they wish to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide. The Council has an overview and scrutiny function which provides a ‘critical friend’ challenge to cabinet policy makers and decision making.

The Overview and Scrutiny Board (together with its sub-committees) is responsible for the overview and scrutiny function of the Council. In accordance with their work programme, it assists in the development of policy and holds decision makers to account. As per the constitution, any five members of the Council can “call-in” executive decisions to the Overview and Scrutiny Board for further debate.

The Audit Committee is responsible for all internal and external audit matters, treasury management as well as monitoring the effective development and operation of risk management and corporate governance in the Council. It meets a minimum of five times per municipal year.

The Standards Committee's remit includes the conduct of members and investigating complaints in respect of individual members. The Standards Committee promotes and embeds ethical standards for members.

Some regulatory functions remain the responsibility of the Council rather than the Cabinet and most of these are delegated to a small number of committees appointed annually by the Council.

All members are inducted into the importance and processes of good governance and have informal and, if required, formal ways of raising governance issues with the Chief Executive, Monitoring Officer, Chief Finance Officer and the Senior Leadership Team.

The Corporate Plan and Decision-making

The Council's Community and Corporate Plan is the main strategic document under which the rest of our Policy Framework sits. Following the local elections in May 2019, a Community and Corporate Plan "One Torbay: Working for all Torbay" was prepared by the Cabinet, and adopted by the Council, which sets out the ambitions and visions of the Council over that term of office.

The Council Business Plan 2021-22 sets out the delivery of the Community and Corporate Plan and details the priorities for the organisation into 2023. A quarterly performance report which includes both projects and performance indicators is used to track the delivery of the priorities. In addition to the performance report, a separate strategic risk report is updated and reviewed by senior management and Audit Committee quarterly.

The Council has a Medium Term Resource Plan which is reviewed on an on-going basis to consider new information and changed circumstances. Both documents provide a framework for planning and monitoring resource requirements.

The Council's Senior Leadership Team oversee the delivery of the Community and Corporate Plan, ensuring that it is delivered, whilst seeking to maximise efficiencies, income and savings (in accordance with the requirements of the Medium Term Resource Plan) and create service resilience.

The Cabinet receive reports containing recommendations for decisions made at meetings of the Cabinet. All reports to members include sections on the financial and legal implications and the risks of the proposed decision. Prior to publication, these reports are reviewed by the Chief Executive, Chief Finance Officer and the Monitoring Officer or one of their senior staff.

All meetings of the Council and its committees are open to the public but a small number of matters are considered in private when the press and public are formally excluded from meetings. It is the Council's objective to keep these private matters to a minimum with only those elements of reports that are considered exempt from publication being included within appendices. This aims to ensure open and transparent decision making is undertaken at all

times. The Council has continued to livestream meetings of the Council, Cabinet and Planning Committee to enable open and transparent decision making.

The Member Development Programme provides a structured approach to member development and support them in their roles. In addition to the Personal Development Plans, Members have the opportunity to have a one to one Councillor Development discussion with their Group Leader. The purpose of these reviews is to discuss each member's progress and how they can contribute to meeting the Council's priorities.

Community and Service User Engagement

During the 2022/2023 Municipal Year, the administration was clear in their vision for strong community engagement and empowerment and work is continuing to ensure that the Council can build on the existing arrangements across Torbay.

The Community Engagement and Empowerment Strategy outlines how the Council intends to meet its mission to be a Council that works in partnership with its residents, communities and partnerships.

The Strategy is split into six key domains that outline how we propose to improve our community engagement and how we want to work alongside and empower the community in Torbay. The domains are:

- Working differently
- Keep you informed
- Ask what you think
- Decide together
- Act together
- Support independent community initiatives

The first domain outlines what our offers are to the community to facilitate this approach and what we ask of the community in support. It provides a narrative to explain the Council's new approach and proposals about how a partnership framework would look in Torbay.

The subsequent domains make clear statements about what our commitments are and what our planned actions are to meet these. Many of these commitments and planned actions were identified at the Community Conference in September 2019.

There are a number of Community Partnerships across Torbay which provide an opportunity for people who live or work in those parts of Torbay to discuss issues of common concern, influence the way in which services are provided and improve their local area.

In developing proposals for service change, consultation with service users and the public is undertaken. In particular, the impact on vulnerable groups and those with characteristics protected under the Equality Act 2012 is assessed and documented in Equality Impact Assessments which are considered by decision-makers prior to decisions being made.

Partnership Working

The Council retains legal responsibilities for the provision of adult social care in accordance with the Care Act 2014, the Mental Capacity Act 2005 and the Mental Health Act 1983, but these are delegated to Torbay and South Devon NHS Foundation Trust, an integrated organisation responsible for providing acute health care services from Torbay Hospital, community health services and adult social care for the people of Torbay and South Devon.

The Torbay Adult Social Care Financial Agreement under the powers outlined in S.75 NHS Act 2006, was extended, to end in 2025. This agreement continues to integrate the arrangements for Adult Social Care in Torbay with Devon Integrated Care System and Torbay and South Devon NHS Foundation Trust.

The Adult Care Strategic Agreement (ACSA) between Torbay Council, Torbay and South Devon NHS Foundation Trust and Devon Clinical Commissioning Group was agreed at a meeting of the Council in September 2020. The ASCA replaced the Annual Strategic agreement and sets out the way in which Torbay Council and Devon Clinical Commissioning Group (CCG) (as was) commission adult social care services from the Torbay and South Devon NHS Foundation Trust.

Torbay Council is one of the organisations within the Integrated Care System (ICS) for Devon, a partnership of health and social care organisations working together with local communities across Devon, Plymouth and Torbay to improve people's health, wellbeing and care so there are equal chances for everyone in Devon to lead long, happy and healthy lives. Partners include local NHS trusts and clinical commissioning groups, other local authorities, GPs and primary care colleagues, voluntary and independent sector partners.

As part of the ICS, the council is a part of the South Local Care Partnership (LCP) which brings together health and social care services with partner organisations to help people live better lives. The partners, including Devon County Council, South Hams District and Teignbridge District Councils as well as local NHS trusts, Healthwatch Devon and Torbay Community Development Trust, work together across organisational boundaries to address health inequalities whilst recognising the unique challenges and differing demographics of each community.

The Torbay Safeguarding Children Strategic Partnership works together to identify and respond to the needs of children. It is jointly led by the three local safeguarding partners: Torbay Council, Devon and Cornwall Constabulary, and the Integrated Care System. The safeguarding partners and all relevant agencies that work with children and families are committed to ensuring that safeguarding arrangements are of the highest quality, that they consistently promote the welfare of children and effectively safeguards them whatever their circumstances. The Safeguarding Children Partnership operates in line with the requirements of the statutory guidance Working Together to Safeguard Children 2018 and is independently scrutinised.

Torbay is one of the 75 local authorities to be chosen to receive funding to establish family hubs. Alongside this Torbay has also been chosen as one of the 14 trailblazers for family hubs. This builds on the early help work that was overseen by the Early Help Implementation Board. A newly formed Family Hub Board continues the partnership links and networks and will be focussed on maximising resources in the three localities of Torquay, Brixham and Paignton, and across Torbay. The board will also identify local needs or gaps and suggest how community strengths may address them. Three newly established parent carer forums in each area will support our desire to co-produce our family hubs, putting the voice of children, young people and families at the heart.

The Health and Wellbeing Board and the Community Safety Partnership known as Safer Communities Torbay, provide forums where multi-agency issues which impact on the Torbay population can be debated and addressed.

The Torbay Voluntary Sector Network has been working closely with Torbay Council and includes Citizens Advice Bureau, Healthwatch, faith groups, Age UK and Torbay Community Development Trust (TCDT). This group works with Torbay Council in its overall approach to working with the community and voluntary sector by forging new partnerships; whilst finding creative and innovative ways for delivering services that will sustain a thriving voluntary and community sector in Torbay. The development of the community and voluntary sector in Torbay is key to the strategic plans of Torbay Council, NHS Devon and Torbay and South Devon NHS Foundation Trust.

The Torbay Strategic Partnership (known as Torbay Together), which consists of public, private and voluntary sector organisations, continued to meet regularly throughout the year and worked together to address issues that impact across Torbay. In January 2022 the partnership launched the Torbay Story, a vision for Torbay now and into the future. It also re-constituted itself as the Torbay Place Leadership Board, alongside steps to set up Town Boards and a Torbay Champions Programme.

The Council owns (either in its own right or with partners) four companies, namely the Torbay Economic Development Company (which has a trading name of TDA), Torbay Education Limited, Careers South West and SWISCo. The Council has representatives on the Boards of these companies together with a number of reserved matters which are set out in the Articles of Association and Memorandum of Understanding.

Performance and monitoring arrangements are in place in respect of service specific partnerships such as the Torbay and South Devon NHS Foundation Trust and the Torbay Coast and Countryside Trust.

The Council, with Devon County Council and Plymouth City Council, submitted a request to Government for a County Deal. On 2 February 2022 the Secretary of State announced that Devon, Plymouth and Torbay were in the initial wave of places to be offered the opportunity to enter into a County Deal to receive devolved powers. The councils are working together and with

Government to explore what the Deal could contain. If a Deal is ultimately taken forward, then appropriate governance arrangements will be put in place.

Performance and Risk Management

As part of the Council Redesign Programme, the Our Organisation Project Board encapsulates the improvements the Council is making to its performance and risk management processes.

In 2022/23 the performance and risk reports were presented and reviewed by the Senior Leadership Team, Informal Cabinet and Audit Committee on a quarterly basis. These reports captured the Council's progress against the delivery of its Community and Corporate Plan 2019/23. At the beginning of the financial year, previous performance data was used to set robust targets for 2022/23.

Senior Management

The **Head of the Paid Service** is the Chief Executive who is responsible and accountable to the Council for all aspects of operational management.

The Director of Finance is the **Chief Financial Officer**. He has direct access to all members, the Chief Executive and senior officers of the Council. He works with Directors and Divisional Directors to identify any financial issues which may require management action. Regular discussions are held with the Leader of the Council and the Cabinet Member with responsibility for finance. The Chief Financial Officer has responsibility for ensuring the Council operates secure and reliable financial and accounting systems.

Members are briefed on key financial issues with revenue and capital budget monitoring reports being considered by the Overview and Scrutiny Board and the Cabinet on a regular basis. The Council agrees the Treasury Management Strategy on an annual basis on the recommendation of the Audit Committee.

The Head of Legal Services is the **Monitoring Officer**. She is responsible to the Council for ensuring that agreed procedures and protocols are followed and that all applicable Statutes and Regulations are complied with.

Officers in politically restricted posts and those responsible for negotiating contracts are required to register their personal interests.

Training and Information

Corporate training needs are identified through the Senior Leadership Team. The Council has strongly supported staff development, particularly through programmes such as the Institute of Leadership and Management to develop Team Leaders and Managers.

The Corporate Induction module on i-Learn signposts and informs new employees about the range of policies and procedures they need to be aware of, including the Code of Conduct, Information Governance, Acceptable Behaviour, Driver's Policy and Handbook and Whistleblowing Policies.

Managers are responsible for local induction arrangements with corporate induction courses being run on a regular basis.

i-Learn also houses learning modules which are mandatory for all staff including Equality in the Workplace, Fire safety, First Aid at Work and Display Screen Safety. In addition, there are several Wellbeing modules.

The Council's intranet contains a range of policies, procedures and guidance for all staff including Information Governance Policies, Code of Conduct, Freedom of Information guidance, Data Protection Policy and the Corporate Plan and Constitution. Human Resources (HR) Policies are available to all staff via the MyView web platform.

The Council's Counter Fraud and Corruption Policy was updated and published on the council's website in March 2023.

The Managers Forum meets on a quarterly basis and Senior Managers Forum meets once each month (excepting the months when a Managers Forum is held). These meetings enable all managers to be briefed on current issues, reflect on achievements and engage in the development of action plans, ensuring that best practice across the Authority is shared and that plans for the future are collectively owned. This information is then passed on to staff through team meetings.

The All Colleagues Briefing happens four times a year. It provides an opportunity for all staff to come together to learn about key issues at the organisation. The briefings are open to everyone and attendance is encouraged. These briefings are led by the Chief Executive, supported by a relevant member of the Senior Leadership Team and cover key issues for staff.

Ask Us Anything on-line meetings are held in the months where we do not have an All Colleagues Briefing. There is one session each month which 30 members of staff can register to attend and ask questions of the Senior Leadership Team, on a much more personal level.

Internal communication approaches are in place to ensure all staff are aware of issues and new policies and practices. Weekly staff update emails are sent to advise of relevant information, achievements, HR policy, legislation changes and the learning and development courses on offer.

There is a positive working relationship with Trades Unions through quarterly formal meetings, and informal meetings with the Head of Paid Service and Head of Human Resources conducting consultation where appropriate.

Customer Feedback, Whistleblowing and Prevention of Fraud

The Council has a customer feedback recording, tracking and reporting system to which all staff have access via the Intranet. The system captures compliments, complaints, queries, enquiries and Local Government Ombudsman complaints. Letters from Members of Parliament as well as

enquiries made through local councillors are also recorded through this system.

The system enables all complaints to be recorded and tracked with root causes identified providing the Council with a useful analysis of why issues are being received. It also enables the tracking of the implementation of recommendations and actions.

The Information Governance Team operates a one stage complaints process which facilitates timeliness of responses, consistency of responses and improved timescales for escalation to the Local Government and Social Care Ombudsman. Reports regarding complaints are provided to the Senior Leadership Team on a regular basis, these reports include the type of complaint, service area, outcomes and any learning points. This results in further actions being identified and implemented.

The Council's Whistleblowing Policy is available on the Council's website and intranet site. The Council has an established phone line for any whistleblowing calls, which goes directly to Internal Audit which has responsibility for dealing with these issues in the first instance.

The Monitoring Officer, Chief Finance Officer and the Head of Devon Audit Partnership (or their representative) meet on a regular basis to consider and recommend action in connection with current governance issues and other matters of concern regarding ethics and probity. The Chief Executive (as Head of Paid Service) is kept informed of matters.

The Council has a Fraud and Counter Corruption Officer who is accountable to the Head of Finance. The Council's website enables members of the public to report any suspicions of anyone committing fraud or corruption.

Information Management

The Council holds and processes a significant amount of information. It is critical that the information held is of good-quality, accurate and kept up to date to inform decision making. Equally important is the requirement to process personal and sensitive information in accordance with the data protection legislation. To support this, there is an Information Governance Steering Group, which consists of the Head of Information Governance (who is also the Council's Data Protection Officer), the Senior Information Risk Owner (SIRO) and the Council's Caldicott Guardian. This Group reviews the Council's approach to information management, information security and sharing. This group also oversee the Information Governance action plan and related performance as well as approving related policies.

There is an Information Governance Framework in place under which there are several operational policies and procedures including a suite of information security policies. These policies are subject to regular review and updates are communicated to all staff.

The Council's Information Governance Team are responsible for monitoring and reviewing compliance to data protection legislation across the Council. Part of this work is reviewing the Information Asset Register which specifies the information assets held across all Council departments and allows the Council to understand the risks associated with different information assets.

Learning modules on the Council's I-Learn training system are mandatory for all staff to complete to make sure everyone has a good basic understanding of their role in relation to Data Protection and information Governance. These modules were updated in 2022.

Internal Audit

The internal audit service is provided by Devon Audit Partnership (DAP). This is a shared service arrangement originally formed by Torbay, Devon County and Plymouth City Councils but has been subsequently expanded to include several district councils. It is constituted under section 20 of the Local Government Act 2000. Devon Audit Partnership undertakes the role of auditing the Council's systems to give assurance to the organisation.

The Council's Internal Audit Plan, which is risk based, is agreed annually by the Director of Finance, Senior Leadership Team and the Council's Audit Committee. This provides the basis for the review of internal control and governance within the Council and includes the following:

- Annual reviews of the Council's key financial systems by Internal Audit against known and evolving risks.
- Reviews of internal controls in operation within each service area against known and evolving risks based on a detailed risk assessment. These reviews consider the strategic and operational risks identified in the Corporate Risk Register, as well as materiality, sensitivity and previous audit and inspection findings.
- Work in relation to the investigation of any potential irregularities identified either from audit work or through the Council's whistle-blowing policy.
- Advice and support to ensure future safeguards when implementing new systems.
- Value for money work in relation to assessing the efficiency, economy and effectiveness of the Council's operations and recommending improvements as necessary.

Internal Audit is governed by Public Sector Internal Audit Standards. In April 2020 the Chartered Institute for Public Finance and Accountancy (CIPFA) Special Interest Group (SIG) for Internal Audit, considered and proposed a common practice of using four standard internal audit assurance opinions, which DAP has adopted. These are:

- Substantial Assurance
- Reasonable Assurance
- Limited Assurance
- No Assurance

This replaces the previous High Standard, Good Standard, Improvements Required and Fundamental Weaknesses ratings used on each audit assignment in previous years.

The Council also receives assurance from the NHS Internal Audit Consortium (ASW Assurance) over the controls in operation at Torbay and South Devon NHS Foundation Trust which covers the provision of adult social care services.

Achievement against the Audit Plan is reported to the Audit Committee on a twice yearly basis. This report also includes an opinion and assurance about the system of internal control throughout the Council.

Regular meetings are held between the Chief Finance Officer and a representative of the Devon Audit Partnership to discuss specific issues that have arisen. The Head of Devon Audit Partnership also attends meetings of our Senior Leadership team to discuss the outcomes of their work.

Review of Effectiveness

Torbay Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of the Devon Audit Partnership's annual report and by comments made by the External Auditors and other review agencies and inspectorates. This review is demonstrated through the Annual Governance Statement.

As in previous years, Devon Audit Partnership undertook certain assurance work on behalf of the Council and to give assurance to the external auditors as part their audit opinion.

In 2022-23 Devon Audit Partnership developed an Assurance Map for Torbay Council to aid in monitoring and decision making and providing a source of reference for management at all levels on the overall health of the organisations control environment and in support of the Annual Governance Statement.

An effective service planning process took place during summer 2022, involving Directors, Service Managers and key corporate officers. The critical friend approach highlighted in year financial savings and discussions that could provide improved value for money.

Several actions contained in the council's risk management improvement plan were achieved throughout 2022/23. Members of Cabinet and Audit Committee, the Senior Leadership Team and 70+ Managers received training on the council's newly adopted risk management framework, policy and SPAR.net (the council's risk management software). A risk management

workshop specifically for the Senior Leadership Team took place in November where they identified the risks that would form the council's strategic and corporate risk registers. These risks are now reviewed and updated on SPAR.net and will form the basis of all future risk reporting from 1st April 2023.

The effectiveness of the governance framework has been evaluated over the course of the year against the seven core principles within Torbay Council's Code of Corporate Governance. Details of the evaluation is included in the sections which follow. Whilst some governance issues have been identified (and are detailed below), the Council believes that its arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area

The Council's Community and Corporate Plan "One Torbay: Working for all Torbay" was adopted in February 2020. The associated Council Business Plan 2021-22 acts as a delivery plan and sets out in much more detail what we have achieved, together, and the priorities that we want to deliver into 2023. Progress against the plan is monitored in quarterly Performance and Risk reports which include updates on each action and work continues to embed the values and principles within the Community and Corporate Plan across the organisation.

Following the Local Elections in May 2023, work is now underway to develop a new Community and Corporate Plan together with the associated Council Business Plan.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council's Constitution has been continually reviewed throughout the year by the Monitoring Officer, Chief Financial Officer and Head of Governance Support in consultation with the Leader of the Council and Group Leaders whereby improvements and changes to the constitution were made and agreed.

During 2022/2023, the Member Development Programme continued to build members' focus on reinforcing good governance, getting the right skills for the job and strengthening leadership, risk awareness, understanding communities – equality, diversity and inclusion and personal safety. In particular, training in relation to the functions of the Planning Committee was included within the Member Development Programme for 2022/2023.

Ahead of the Local Elections in May 2023, a Member Welcome and Induction Programme was developed with the purpose of nurturing new councillors through targeted induction and development. The initial focus of the programme is to ensure a base knowledge with shorter refresher/check-in sessions in the first weeks. For members of the Cabinet, a separate induction programme is framed around the opportunities and issues facing the Council

and discussions which will lead to the development of the new Community and Corporate Plan.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

During 2022/2023 the Monitoring Officer has held monthly 'open sessions' with Members whereby any concerns could be raised and member behaviour generally discussed. In addition, the Monitoring Officer continues to meet as needed with the Independent Persons (appointed to assist the Standards Committee in the Member Complaint Process) to hear their views and opinions on any relevant matters relating to Members' conduct.

The Monitoring Officer has received complaints which were dealt with in accordance with the Assessment and Determination of Allegations of Breaches of the Member's Code of Conduct complaints. During 2022/2023 two complaints against Members were referred for investigation and subsequently were determined by a Standards Hearing Sub-Committee. The resulting recommendations of the Standards Hearing Sub-Committee have been actioned.

The Council's Code of Conduct, Whistleblowing and Acceptable Behaviour policies are available for all staff on MyView. They are also referred to within employees' terms and conditions of employment and are binding upon employees during their employment with the Council. Reminders are sent out to staff via newsletters and internal communications. The Council's induction programme also signposts new employees to the above policies.

Customer Service Standards were developed in 2020 and came into effect from April 2021. These standards have been put in place to ensure that our employees have clear guidelines in terms of what is expected of them when working with our customers.

Business ethics, values and culture are an important part of improving an organisation's governance process and we continue to place great importance on this.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Meetings of the Cabinet are well-established, enabling reports to be presented and considered ahead of decisions being made collectively in the public domain.

The Overview and Scrutiny Board has undertaken a range of work from reviewing draft Policy Framework documents to matters relating to health and wellbeing and budget monitoring. Over the course of the municipal year 2022/23 the Board have not considered any call-ins. A sub committee of the Overview and Scrutiny Board was established this year to provide dedicated focus upon Adult Services and Health to mirror the arrangements for Children and Young People and provide greater capacity and focus on adult services

and health. Task and finish groups were established and made recommendations to the Cabinet on highways issues and 2022/23 budget pressures.

The Audit Committee receives the Internal Audit Plan together with updates on the progress against the Plan. The Committee receives the Council's Statement of Accounts and Treasury Management Strategy.

The performance and risk reports are reviewed and scrutinised by the Audit Committee on a quarterly basis. A pre-meet is held to discuss any points that members would like to debate or challenge as part of the main meeting agenda. The committee's role is to understand the constraints where performance has slipped and work with directors to support improvement.

The Council's Information Asset Register is subject to regular review as part of the Council's GDPR project plan, this allows the Council to understand the information being processed across all departments, the lawful basis for processing and the security measures associated with the information asset.

Developing the capacity and capability of members and officers to be effective

The Senior Leadership Team has kept the operation of its meetings under review over the course of the year in order to increase their capacity to focus on those issues of strategic importance.

Ahead of the local elections, the Chief Executive and Directors reviewed the informal governance arrangements of the Council in order to make recommendations to the incoming administration.

The Members' Development Programme continued to be delivered during 2022/2023 with a new programme developed for the induction of councillors post the May 2023 local elections. Communication with councillors was supplemented by All Member Briefings which take place to provide an informal opportunity to discuss forthcoming issues. Councillors learning and development is also supported with external training opportunities available from the Local Government Association and peers from other authorities.

Key messages and information are communicated from the Senior Leadership Team directly to all managers at monthly Senior Managers Forums and quarterly Managers Forums. This is then fed back in team meetings with an emphasis on the cascade of information to front line staff. Following the results of the Staff Wellbeing Check-in, the Directors have made commitments to improving internal communications within their Directorates and steps are now being made to implement these commitments.

A number of staff volunteers from different areas across the Council have been recruited to become Wellbeing Supporters. They are a confidential point of contact for employees experiencing emotional distress or a mental health issue. This interaction could range from having an initial conversation to supporting and signposting the person to get appropriate help. Volunteers

attended 'Connect 5' training to provide them with the right tools and knowledge to carry out their roles.

The Council has reviewed how it inducts new staff into the organisation. Each new member of staff has the opportunity to meet with the Chief Executive within the first few weeks of their employment. A consistent approach across Directorates is also being introduced so that all members of staff are aware of how their role fits within their Directorate and the Council as a whole.

Engaging with local people and other stakeholders to ensure robust public accountability

Consultation and service user engagement have continued to take place. This work has included consultation on the proposals for budget savings and income generation and to seek local people's views on service change and projects across Torbay.

There continues to be good engagement from partners who form the Torbay Place Leadership Board which continues to be led by an independent Chairman. The Torbay Champions Programme gives an opportunity to anyone who wants to learn more about what the Bay has to offer, to attend the champions meetings and then help to promote Torbay. As of April 2023, the number of Torbay Champions is 1,531 and is growing. The partnership has now established a town board for Brixham with the support of Brixham Town Council and is in the process of establishing town boards in Torquay and Paignton. An external review was undertaken of the first 12 months of the new partnership, which was complimentary about the progress made to date but did identify some key areas to focus on in the months ahead.

The fourth Torbay Community Conference had the theme of celebrating Torbay, providing an overview of our achievements and practical examples of where the community have been involved. The event was attended by residents, local community groups and organisations, Councillors and Officers. Topics discussed include Torbay Story and how everyone has a role to play, feedback about positive changes people may have seen in the last three years and a round table discussion around current challenges. Audience members were able to ask questions of a panel including councillors and officers, as well as spending time with officers and partners who were exhibiting stands throughout the hall. Over 120 people attended the event in October 2022.

Torbay Council continues to be committed to developing a more engaged relationship with individuals and communities across the Bay. The report from the first Community Conference included recommendations for cultural and organisational changes which contributed to the current Council Redesign programme.

A Community Engagement and Empowerment Strategy was developed following feedback from the first Community Conference and to deliver the Council's determination to engage with communities more effectively. The Strategy sets out the plan to address some of the key themes emerging from

the Conference and clear statements about the Council's offers, commitments and actions, working with the community to build more positive and trusted relationships. It also outlined how the Council intended to meet its mission to be a Council that works in partnership with its residents, communities and partnerships based around six key elements. This strategy was approved at a council meeting in February 2021.

During 2022/23 Facebook Live and Ask us events were held on social media. Members of the public could hear from a panel of leading Members and senior officers and ask them questions. Each event was focussed on a subject such as the 2023-24 Budget and the Paignton and Preston Masterplan.

In the last year the Engagement Team has increased the number of face to face events held, to gather feedback from members of the public on a range of projects such as the Paignton and Preston Masterplan and town centre regeneration.

The Annual Report of the Overview and Scrutiny Board has been published and considered by the Council at its annual meeting.

The Statement of Accounts provides a Narrative Report which explains the Council's achievements against the Community and Corporate Plan over the past year alongside the Council's financial Performance.

Securing continuous improvement in service delivery and ensuring that its agreed policies, priorities and decisions are implemented on time, in a manner consistent with the needs of its user and in the most effective way

Corporate performance and risk reports are reviewed quarterly by the Senior Leadership Team, Informal Cabinet and Audit Committee.

In 2022/23 the Head of Paid Service requested a review of the Planning Services. A business improvement programme has been established to deliver improvements to the efficiency and quality of these services.

During autumn of 2022 the council introduced a garden waste service and launched a "Right Stuff Right Box" marketing campaign to improve its recycling rates the result of which was evidenced in the quarter 4 performance reports.

Significant improvements to our Adult Social Care performance data were established with our partners at South Devon and Torbay NHS Foundation Trust. This along with our own benchmarking information will be used to help inform future decision making.

The council saw a reduction to the number of complaints it received compared to the previous year. These, along with the freedom of information requests were also dealt with in an improved timely manner.

In May 2022 Ofsted identified the services being delivered to children in Torbay as good. This is a significant milestone in the council's improvement journey. We are not complacent as there is still much to do to ensure we meet

the needs of our communities. Children, young people and their families rightly expect high quality services, particularly in times of need. Our ambition for children and their families to benefit from good or better services in which they have 'a voice' and become fully involved remains strong and central to all that we do. We continue to understand the task ahead, and we are determined to build on what Ofsted has judged to be good progress across the services for children.

Our Children's Continuous Improvement Plan comprises improvement priorities that are essential for the success of our transformation. It is complimented by the Councils Transformation Programme and our Sufficiency Strategy which quite properly focusses its attention on the resources required for a successful children's service modelled in line with the detail of our vision for a child friendly Torbay. We want to ensure we meet the needs of all our children and have priorities focused upon the needs of older young people in the process of transitioning to adult services, those at risk of youth homelessness and those vulnerable to exploitation and, potentially, offending behaviour. In addition, we are concerned to support young people with their health and, importantly we are seeking through this plan to stimulate the development of a revitalised and retargeted child and adolescent mental health service.

Over the next two years we will be continuing to develop the Family Hubs and supporting our children and young people with special educational needs and/or disabilities at the earliest opportunity. The investment and roll out of Liquid Logic and Power BI has brought improved data quality and put performance information at the heart of all decision making.

Torbay Council was formally invited to take part in the 'safety valve' intervention programme with the Department for Education (DfE), with the aim of agreeing a package of reform to bring our dedicated schools grant (DSG) deficit under control.

Torbay Council was invited to participate in this programme as it was identified as one of a number of authorities with the highest proportional DSG deficit. The programme requires Torbay Council to develop substantial plans for reform our high needs systems, with support and challenge from the DfE, to rapidly place us on a sustainable footing.

Torbay Councils plans (known as 'Management Plans') will need to demonstrate sufficiently that they create lasting sustainability and that they are effective for children and young people, including reaching an in-year balance as quickly as possible, if the plans are approved then the DfE will enter into an agreement with us, subject to Ministerial approval.

The Safety Valve agreement was submitted to DfE and subsequently approved and was published on 17th March 2023. The agreement sets out the key deliverables that we will be measured on during the course of the safety valve programme which will finish at the end of the 26/27 financial year.

A cyber security risk has been incorporated into the Council's corporate risk register with a very high unmitigated score. This risk will be reviewed and updated monthly and reported to the Senior Leadership Team, and Audit Committee.

Based on work performed during 2022/23, Internal Audit's experience from previous years, the outcome of the Annual Follow Up exercise and the findings of the first phase of the Assurance Mapping exercise, the Draft Annual Audit Report for 2022/2023 sets out that the Head of Internal Audit's Opinion is one of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

The Authority's internal audit plan for 2022/23 included specific assurance, risk, governance and value-added reviews which, together with prior years audit work, provide a framework and background within which Internal Audit can assess the Authority's control environment.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Significant governance issues

In their Draft Annual Report, Internal Audit identified that the Council's overall internal control framework is considered to have operated effectively during the year. Where internal audit work has highlighted instances of non or part compliance, none are understood to have had a material impact on the Authority's affairs. They noted that in some areas they are still seeing the ongoing impact of Covid-19 measures that have resulted in a significant level of challenge to the Council and put pressure on the expected control environment; the need for prompt and urgent action by officers has required changes to some procedures and control arrangements. In respect of this report, it has not been possible to fully quantify the additional risk that may have arisen from such emergency and associated measures or fully determine the overall impact on the framework of governance, risk management and control.

Their July 2022 report on Torbay's Household Support Fund (HSF) Audit identified the need for robust control frameworks to be implemented and maintained in relation to the processing and payment of grant monies to ensure compliance with grant conditions and minimise the risk of fraud and errors. In response a simplified eligibility and payment process has been implemented and policies are updated as soon as possible on receipt of the guidance and data for successive HSF schemes. Discussions with Audit have taken place for the current scheme to reduce fraud and errors. Applications are checked to ensure that the total award value and number of awards does not exceed the policy. A percentage of applications are now quality checked to identify any errors. Applications for larger payments have additional financial checks to ensure they satisfy the guidance and to verify bank accounts.

Audit also identified the need for formal agreements with third parties that are subject to robust monitoring. This has been addressed and the HSF4 funds allocated are now part of a wider grant award framework which includes service level agreements and contracts. Third parties are also required to submit quarterly returns to Torbay Council as part of the overall Management Information return to the Department for Work and Pensions.

Torbay Council has been formally invited to take part in the 'safety valve' intervention programme with the Department for Education (DfE), with the aim of agreeing a package of reform to bring our dedicated schools grant (DSG) deficit under control. Torbay Council has been invited to participate in this programme as it has been identified as one of a number of authorities with the highest DSG deficit. The programme requires us to develop substantial plans to reform our high needs systems, with support and challenge from the DfE, to rapidly place us on a sustainable footing.

Torbay Councils plans (known as 'Management Plans') will need to demonstrate sufficiently that they create lasting sustainability and that they are effective for children and young people, including reaching an in-year balance as quickly as possible, if the plans are approved then the DfE will enter into an agreement with us, subject to Ministerial approval.

The Safety Valve agreement was submitted to DfE and subsequently approved and was published on 17th March 2023. The agreement sets out the key deliverables that we will be measured on during the course of the safety valve programme which will finish at the end of the 2026/27 financial year.

In their March 2023 report on Asset Management Strategy and Use of Tech Forge, Audit identified that the significant level of delayed remedial works and the risk of asset deterioration including non-coastal assets should be considered as an area for inclusion and related management within the risk management framework. Issues with the backlog of maintenance priorities are flagged to Torbay Council regularly and consideration is being given to the inclusion of this risk in the council's risk registers.

Audit's March 2023 report on the Adult Social Care Monitoring of Commissioned Client Debt Function identified that there was no evidenced inclusion of Trust client debt management service provision and arrangements within the defined agreement and no evidenced reporting of client debt position to the Council by the Trust and associated monitoring by the Council to allow effective related risk management. This issue has been included on the council's corporate risk register and will be reviewed on a quarterly basis by the Director of Adult and Community Services and reported to SLT and Audit Committee. A formal review of the debt recovery process is planned, to identify the actions to mitigate this risk.

There is also an upcoming internal audit report on ASC Precepts.

In addition to the above, there were a number of reviews undertaken by internal audit during the course of the year which found that improvements were required. In most cases management actions plans have been put in

place and these will be monitored on a regular basis through the Performance and Risk Framework.

Conclusion

Overall, during the course of the year we have ensured that we are delivering against our agreed action plans in order to maintain our robust corporate governance arrangements. Our decision making processes are understood by members and officers and the mechanisms which support those processes operate effectively.

We have recognised where there are areas for further improvement as outlined within this Statement. We propose, over the coming year, to take the steps detailed in the action plan below to address these areas to further enhance our governance arrangements. We are satisfied that these steps will address the issues identified and we will monitor their implementation and operation as part of our next annual review.

Anne-Marie Bond
Chief Executive

Councillor David Thomas
Leader of the Council

Action	Responsible Officer	Deadline
Continue to deliver the Children's Services Continuous Improvement Plan.	Director of Children's Services	31 March 2024
Implement the SEND Written Statement of Action.	Director of Children's Services	31 March 2024
Deliver the Safety Valve Action Plan	Director of Children's Services	31 March 2024
Development and agree the emerging Community and Corporate Plan and the associated Council Business Plan	Senior Leadership Team	31 December 2023
Determine whether the backlog of maintenance priorities is included appropriately within the council's risk registers.	Director of Corporate Services	31 August 2023
Undertake a formal review of the Council's debt recovery process, including Torbay Council client debt managed by Torbay and South Devon NHS Foundation Trust	Director of Finance	31 March 2024

Torbay Council Audit Progress Report and Sector Update

July 2023

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Agenda Item 8

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

Your key Grant Thornton team members are:

Paul Dossett

Key Audit Partner

T 020 7728 3180

E Paul.Dossett@uk.gt.com

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 local authority; 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 <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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 July 2023

Financial Statements Audit

We completed our work on your financial statements for 20-21 in April 2023.

The 21-22 financial statements work is ongoing. We expect to be able to conclude the audit in December 2023 (We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by the end of 2023).

We will then immediately begin the audit for 22-23 aiming for sign off by March 2024. In January 2024 we will issue our detailed audit plan, setting out our proposed approach to the audit of the Authority's 2022/23 financial statements.

The deadline for publishing audited local authority accounts is 30 September for 2022/23 onwards.

Clearly, the audit is delayed which is a great disappointment to the auditor and finance team.

The reasons for this delay are listed below;

- Infrastructure Asset valuation issues in the 20-21 financial year (this impacted all authorities with material infrastructure assets and delayed completion of many audits nationally in 2021-22)
- Auditor challenge over the 20-21 disclosure of pension liabilities
- The delays to the 20-21 audit compounded to delay the start of the 21-22 audit which is ongoing. This combined with staffing changes at the Council and auditor meant that the audit could not be completed before the commencement of the 22-23 NHS and LG audit cycles which is why the audits are now delayed to re-start in October 2023.

From an individual council perspective, the delay is frustrating. However, from a national perspective, the work completed and progress is not behind the average authority. For more information, please refer to the report in the Sector update p9.

Value for Money

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN3 and issue their Auditor's Annual Report when their work is complete.

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

Despite the nationally recognised issues and delays mentioned above, we have brought our combined Auditor's Annual Report for 21-22 and 22-23 to the July 2023 Audit Committee meaning that our work for Value for Money is up to date.

Progress at July 2023 (cont.)

Meetings

We met with Finance Officers 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. We also plan to meet with your Chief Executive in August to discuss the Authority's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Deliverables

2021/22 Deliverables

Audit Plan

We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report

Planned Date

Issued March 2022

Status

Completed

Audit Findings Report

The Audit Findings Report will be reported to the December Audit Committee.

December 2023

Not yet due

Auditors Report

This includes the opinion on your financial statements.

December 2023

Not yet due

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2022/23 Deliverables

Audit Plan

We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report

Planned Date

January 2024

Status

Not yet due

Audit Findings Report

The Audit Findings Report will be reported to the March Audit Committee.

March 2024

Not yet due

Auditors Report

This includes the opinion on your financial statements.

March 2024

Not yet due

Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

July 2023

Completed

Infrastructure Assets Update

Background

Most local government (LG) entities, excluding police bodies, will own infrastructure assets. The balances for highways authorities will be particularly significant and are likely to be material. For LG entities with material infrastructure assets there is therefore a potential risk of material misstatement related to this balance.

The inherent risks which we identified this year in relation to infrastructure assets were:

Page 117

An elevated risk of the overstatement of gross book value and accumulated depreciation figures, due to lack of derecognition of replaced components

A normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairments of infrastructure assets, and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges.



How these issues have been addressed?

Since these issues were first identified we have been working with CIPFA and the English and Scottish Governments to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions have been put in place in the interim. These short-term solutions include the issue of Statutory Instruments (SIs) by government and an update to the CIPFA Code.

The CIPFA Code update was issued on 29 November 2022. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022 – see [The Local Authorities \(Capital Finance and Accounting\) \(England\) \(Amendment\) Regulations 2022 \(legislation.gov.uk\)](#). CIPFA issued [CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution](#) on 11 January 2023, which includes further guidance and illustrative examples on the depreciation of infrastructure assets and the associated useful economic lives (UELs).

As a result of the update, we were able to complete the audit for the 2020/21 financial year

Sector Update

Authorities continue to try 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 local government sector 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

Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Delayed publication of audited local authority accounts

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2023/about-time-local-authority-reports.pdf>

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Local government procurement and contract management-

Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector¹. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

<https://www.grantthornton.co.uk/insights/local-government-procurement-and-contract-management-lessons-learned/>

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

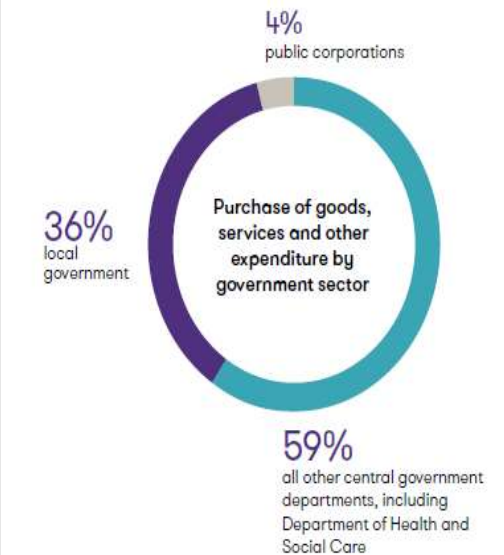
UK public spending

Public spending on goods and services, £ billions - analysis by segment and department²



PCs Other Public Corporations AC Academies
 DfT Department for Transport MoJ Ministry of Justice
 WG Welsh Government BBC British Broadcasting Corporation
 HO Home Office
 DfE Department of Education BEIS Department of Business, Industry Strategy
 SG Scottish Government

Goods, services and other expenditure by segment⁴



¹ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
² Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021
³ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
⁴ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

SEND deficits kept off budgets for another three years

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

Page 122

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before today's announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".

Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.

Sustainability: Finance at the heart of decision making

In November 2022 CIPFA published an article on public sector specific response to climate change. Below is an extract from CIPFA's website:

“Role of the finance profession

Finance and accounting professionals need to move beyond simply measuring and reporting the impact of climate change, environmental regulation, supply chain pressure and rising energy costs. They must focus on understanding those implications and integrating them into financial management and business planning. The ability to integrate climate risks into overall operational risks is a major challenge. The finance profession will need to be able to collect data from different professions (scientists, valuation experts, biologists, meteorologists etc) and be able to understand but also challenge assumptions and projections. The importance of effective communication to both internal and external stakeholders must not be underestimated. Climate reporting should result in decision makers having all the information necessary to be effective, to measure progress and to hold those responsible to account.

Opportunities and risks must be identified and stress tested using various scenarios, including temperature rises of 2C and more. The impact of collapsed ecosystems must not be ignored – from rising sea levels to food scarcity and the mass migration of people whose land is no longer inhabitable. We need honesty, transparency and above all leadership to tackle the climate issues that exist and lie ahead.

Conclusion

The current focus on net zero emissions by 2050 misses the point that climate change is already happening. There is an urgent need for adaptation measures to be introduced that allow the UK to live with higher temperatures, wetter winters and warmer, drier summers. At the moment we are severely under prepared. This is a call for urgent action from government, both at central and local level. The IPCC recommended threshold of limiting temperature rises to 1.5C is **set to be broken**. Temperature rises above 2.5C will mean ecosystems will collapse which will have severe repercussions on our society as a whole. CIPFA and ICAEW share the view that the finance function has an important role to play in combating climate change. We would like to see the finance profession taking the lead for the public sector in its efforts to tackle climate change”.

[Click here for link to the article](#)

Audit Market Developments

Financial Reporting Council Report On The Quality Of Local Audit

In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a ‘major’ local audit and the FRC’s report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

Page 125

The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either ‘good’ or ‘generally acceptable’, but one file ‘required improvement’.

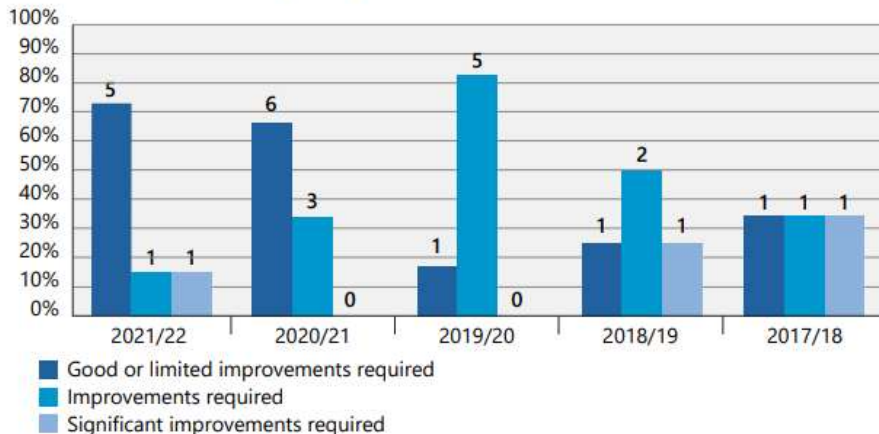
The ICAEW identified one of our files as requiring ‘Improvement’ – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years’ review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams’ work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).

Our assessment of the quality of financial statement audits reviewed



Financial Reporting Council



Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

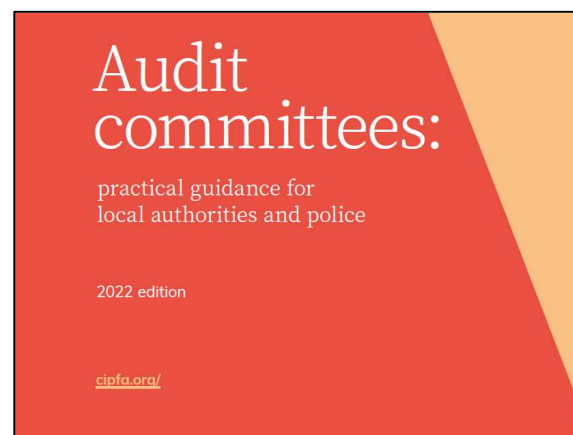
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)





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Meeting: Audit Committee

Date: 26th July 2023

Wards Affected: None

Report Title: Torbay Council's Risk Management Update Report (1 of 3 for 2023/24)

Is the decision a key decision? No

When does the decision need to be implemented? N/A

Cabinet Member Contact Details: Councillor Tyerman, Cabinet Member for Finance and Corporate Services, alan.tyerman@torbay.gov.uk

Supporting Officer Contact Details: Eve Bates, Performance & Risk Manager, eve.bates@torbay.gov.uk

1. Introduction

- 1.1 This report is provided to members to update them on the Council's current risk position and risk management arrangements. It is 1 of 3 risk reports that will be presented to Audit Committee for the period 2023/24.
- 1.2 Throughout 2022/23 the Council's Performance and Risk Manager has been working with the Devon Audit Partnership Manager on implementing a series of actions to improve the Council's approach to its risk management arrangements.
- 1.3 The Council has all its key documentation in place which can be found on the Risk Management page on the intranet. Our risk policy and framework documents set out our risk objectives, priorities and processes.
- 1.4 From 1st April 2023, we went live with our risk management software SPAR.net. SPAR.net is the mandatory software system staff in the Council use to record, update and review the Council's strategic, corporate and service risks. Programme and contract risks are held on separate registers.
- 1.5 The Council uses a 5 x 5 risk matrix to score its risks, meaning our maximum score for a risk could be is 25. All risks that have a mitigated risk score of 16 or above (therefore considered to be high or very high risk for the Council) are detailed in Appendix A of this report.
- 1.6 The Council's Risk Management Policy includes a description of the Roles and Responsibilities in relation to risk management. In respect of Cabinet and Audit Committee, the wording says:

"The Cabinet members and members of Audit Committee are to ensure the Council has risk management processes in place and these are carried out proportionately and effectively."

In practical terms it is expected that Cabinet would have oversight of the risks which are relevant to their areas, with Audit Committee focusing on overall processes and effectiveness of the Council's risk management.

2. Risk Overview (as at 11th July 2023)

- 2.1 The Council currently has 8 Strategic Risks and 52 Corporate Risks appearing on its risk registers.
- 2.2 The 8 Strategic Risks all have **unmitigated** scores of 16 or above. As at the time of drafting this report, 5 have **mitigated** scores of 16 and above.
- 2.3 31 of the 52 Corporate Risks have **unmitigated** scores of 16 or above. 15 of these remain as having **mitigated** scores of 16 and above.
- 2.4 Risks that have scores of 16 or above highlight that there is a probability that is likely/almost certain that there will be major or critical impact on the Council. Below are the risk matrixes for the strategic and corporate risk registers. They show the number of risks that appear for each score.

Risk Matrix - Mitigated Strategic Risks as at 11 July 2023

	1 - Rare	2 - Unlikely	3 - Possible	4 - Likely	5 - Almost certain
5 - Critical	0	0	0	3	0
4 - Major	0	0	2	0	2
3 - Moderate	0	0	0	1	0
2 - Minor	0	0	0	0	0
1 - Insignificant	0	0	0	0	0

Risk Matrix - Mitigated Corporate Risks as at 11 July 2023

	1 - Rare	2 - Unlikely	3 - Possible	4 - Likely	5 - Almost certain
5 - Critical	0	7	3	10	0
4 - Major	0	5	10	4	1
3 - Moderate	1	1	6	3	1
2 - Minor	0	0	0	0	0
1 - Insignificant	0	0	0	0	0

Strategic Risks (mitigated 16 or above)

Code	Risk Title	Last Mitigated Score
ST01	Adult Services Delivery	20
ST02	Mitigating the local effects of Climate Change	20
ST03	Failure to have good economic growth that allows us to address the needs of the most vulnerable.	20
ST04	Failure to set a robust budget and medium term resource plan	20
ST05	Failure to supply sufficient housing for Torbay's needs	20

Corporate Risks (mitigated 16 or above)

Code	Risk Title	Last Mitigated Score
CP48	Failure to deliver town centre regeneration projects	20
CP45	Failure to effectively and efficiently deliver the Capital Programme	16
CP46	Effective Housing delivery	20
CP47	Effective delivery of Economic Growth Strategy	20
CP41	Failure to collect, or loss of, income in particular council tax and business rates	20
CP42	Failure to have adequate business cases and option appraisals in place for key decisions	20

CP44	Failure to meet grant conditions such as Town Deal Funding	20
CP06	Failure for our wholly owned companies to comply with H&S legislation.	16
CP05	Failure to comply with Health & Safety legislation	16
CP14	Delivery of SEND	20
CP18	Demand on services outstrips resource and budget	20
CP15	Failure to stabilise the budget for the Higher Needs block	20
CP17	Placement sufficiency	20
CP19	Recruitment and retention Of Social Workers	20
CP32	Increased homelessness and insufficient temporary accommodation	16

3. Risk Reviews

3.1 At the time of writing this report, all risks appearing on the Council's strategic and corporate risk registers have been reviewed in accordance with the timescales set out in our risk framework.

4. Emerging Risks

4.1 Since going live with the Council's new risk processes, Directors are embedding risk conversations into their DOM, SLT, Directorate and Managers 1 to 1 meetings. Recent conversations have highlighted emerging risks. Risk forms are currently being completed for each of the risks bulleted below and these will drop into SPAR.net and appear on the corporate risk register over the coming weeks.

- Discretionary Housing Payment Budget - Insufficient to Meet Demand
- Failure to effectively maintain the Council's assets & estate
- TorVista failing to effectively deliver the Council's housing needs
- Failure to meet expected performance levels within the Development Management Services (including enforcement)
- Delivery of Statutory Harbour Authority functions
- Delivery of satisfactory beach and coastal services
- Failure to run effective Youth Trust Services post transfer
- Failure to meet Care Act 2014 section five

5. Recommendation(s) / Proposed Decision

(i) That Audit Committee note the report and comment on any concerns relating to the risks in Appendix A and B.

Appendices

Appendix A: Strategic Risks Detailed Report (scoring 16 and above) – 11th July 2023
Appendix B: Corporate Risks Detailed Report (scoring 16 and above) – 11th July 2023
Appendix C: Risk Impact And Probability Guide

Background Documents

Report clearance:	This report has been reviewed and approved by:	Date:
Chief Executive	Anne-Marie Bond	11/07/2023
Monitoring Officer	Amanda Barlow	11/07/2023
Director Of Finance Officer	Malcolm Coe	11/07/2023
Director Of Corporate Services	Matthew Fairclough-Kay	11/07/2023

Risk Code: ST01	Adult Services Delivery	Accountable Officer : Jo Williams
Unmitigated Score: High (20)	Description: The S75 for Integrated ASC means that the NHS pays any financial risk above the fixed fee. NHS colleagues are reporting an overspend and a projected gap for 2023-24, minus any further one-off grant funds. There is a 12 months' notice period to return all activity and spend to the council and a risk that the NHS may choose to serve that notice.	Risk Completion Officer : Jo Williams
Mitigated Current Score: High (20)		Last Review Date : 23/06/2023
Mitigation status:	Mitigation:	
Action completed	Effective budgetary control	
Action ongoing	Long term sustainability plan	
Action needed	Management of demand	
Action ongoing	Oversight – Members	
Action ongoing	Oversight – Officers	
Action ongoing	Review of Adult Social Care pathway to manage demand	
Action needed	Understanding of need	
Latest Note: Risk remains the same, although the external delivery partner has highlighted the potential of significant savings - this has yet to be agreed.		

Risk Code: ST02	Mitigating the local effects of Climate Change	Accountable Officer : Alan Denby
Unmitigated Score: High (20)	Description: Scientific evidence of rising temperatures, storm events and sea level rise.	Risk Completion Officer : David Edmondson
Mitigated Current Score: High (20)		Last Review Date : 05/07/2023
Mitigation status:	Mitigation:	
Action ongoing	Carbon Neutral Council policies and strategies	
Action ongoing	Carbon neutrality in key strategies	
Action needed	Decrease carbon impact of council services	
Action ongoing	Deliver Council climate change fund	
Action needed	Deliver the two solar farms	
Action ongoing	Electric charging points	
Action ongoing	Facilitate the Torbay Climate Partnership	
Action ongoing	Flood defences	
Action ongoing	Increase waste recycling	
Action needed	Local Plan Policies	
Action ongoing	Support residents to take actions – double glazing / boilers	
Latest Note: Following the recent election the mitigations for this risk, will need to be reviewed with the new administration. It is recognised internally that more evidence is required to support the detail needed for this Risk. The actions contained within the Carbon Neutral Council Action Plan are advancing well.		

Risk Code: ST03	Failure to have good economic growth that allows us to address the needs of the most vulnerable.	Accountable Officer : Alan Denby
Unmitigated Score: Very High (25)	Description: Insufficient economic growth to address Torbay's inequality, poor skills, poor productivity and competitiveness leading to worsening the loss of working age population and an increase in the resident population living in deprived areas.	Risk Completion Officer : Lisa Tuck
Mitigated Current Score: Very High (20)		Last Review Date : 22/06/2023
Mitigation status:	Mitigation:	
Action ongoing	Deepen relationship with partner organisations	
Action ongoing	Deliver more affordable homes SPD	
Action needed	Deliver the town centre regeneration programmes	
Action ongoing	Develop & deliver an appropriate Economic Growth Strategy	
Action ongoing	Develop working relationships with key businesses, developers and landowners	
Action needed	Healthy Torbay - Supplementary Planning Document	
Action ongoing	Own / control housing stock via Tor Vista	
Action ongoing	Public Health prevention	
Action ongoing	Review and update Local Plan	
Action ongoing	Secure additional investment	
Action ongoing	Social Value Principles	
Action needed	Support the continued development of the hi tech sector in Torbay	
Latest Note: The mitigations are underway with an intense period of work with Government expected to support greater prioritisation of economic growth in the short term for Torbay. Activity continues to follow up on UKREIFF, the development of the Place Board and use of Torbay Story to attract inward investment central to the investment attraction. Further work on skills and talent development is captured in the economic growth strategy.		

Risk Code: ST04	Failure to set a robust budget and Medium-Term Resource Plan	Accountable Officer : Malcolm Coe
Unmitigated Score: Very High (25)	Description: There have been real term cuts in local authority budgets year on year since 2010. This, along with significant increases in demand for adult and children social care, and high inflation, has resulted in annual budget setting becoming more and more challenging.	Risk Completion Officer : Malcolm Coe
Mitigated Current Score: Very High (20)		Last Review Date : 07/07/2023
Mitigation status:	Mitigation:	
Action ongoing	Delivery of the Safety Valve improvement plan	
Action ongoing	Medium Term Resource Planning (MTRP)	
Action ongoing	Re-assess and revise the Council's Capital Investment Plan	
Action ongoing	Re-negotiation of ICO (integrated adult social care) contract	
Latest Note: Good progress has been made on all of these mitigations. For example, the Newton diagnostic work on Adult Social Care has identified significant opportunities to drive efficiencies and tangible savings. Early work on the DSG safety valve has been positive with the first payment of £5m+ received from Government and early discussions have been held with the new Cabinet with regards to prioritisation of the Capital Investment Programme.		

Risk Code: ST05	Failure to supply sufficient housing for Torbay's needs	Accountable Officer : Alan Denby
Unmitigated Score: High (20)	Description: Insufficient housing development to meet Torbay's need for suitable housing to meet local needs and anticipated population growth (including economic growth and affordable housing). The absence of a housing supply may also increase the risk of the Council having to accept development in areas that are less desirable.	Risk Completion Officer : David Edmondson
Mitigated Current Score: High (20)		Last Review Date : 05/07/2023
Mitigation status:	Mitigation:	
Action needed	Brief members to increase political support & raise awareness of wider consequences of low growth	
Action ongoing	Brownfield regeneration	
Action ongoing	Delivery of appropriate regeneration sites particularly those linked to Town Deal and Future High St	
Action needed	Ensure appropriate figures for Housing numbers are in the revised Local Plan	
Action ongoing	Ensure Neighbourhood Plans are in place and supported	
Action ongoing	Evidence base (Housing Need)	
Action ongoing	Evidence base (Planning)	
Action completed	Housing Strategy	
Action ongoing	Housing strategy Action Plan	
Action needed	Land supply	
Action ongoing	Liaise with Government organisations	
Action ongoing	Partnership working	
Action ongoing	Planning Service Fit for the Future Project	
Action needed	Relationship with landowners and developers	
Action ongoing	Review 106 agreements and implement tighter planning controls	
Action ongoing	Review structure	
Action ongoing	Unlock stalled sites	
Latest Note: Recognition that we are in a Housing Crisis and that HENA shows disproportionate need for affordable housing, versus supply. Local Plan needs to address the housing needs of Torbay, but recognising the current land supply shows a shortfall and all the challenges of the environmental constraints of land in the Bay. Restructuring of the Directorate underway including new posts specifically addressing the issues of strategic housing. Interviews for Head of Housing Delivery & Strategy & Head of Development Management posts in July.		

Risk Code: CP05	Failure to comply with Health & Safety legislation	Accountable Officer : Matt Fairclough-Kay
Unmitigated Score: High (16)	Description: Health and Safety is a legislative requirement that is enforced by the Health and Safety Executive (HSE). The HSE intervenes when the organisation is found to be in failing in its management of health and safety (in contravention HSG 65). Routine and periodic inspections of systems are required on ASSURE (the council's health and safety software management system). Likewise, incidents are required to be reported and investigated in accordance with the council's policies and procedures.	Risk Completion Officer : Dave Walker
Mitigated Current Score: High (16)		Last Review Date : 05/07/2023
Mitigation status:	Mitigation:	
Action completed	Adequate Health and Safety resources available	
Action ongoing	Auditing	
	Development and maintenance of ASSURE health and safety system	
Action completed	Ensure staff are aware of health and safety policies and procedures.	
Action ongoing	External Liaison	
Action ongoing	Health and Safety Communication	
Action completed	Health and Safety Training	
Action completed	Policies and procedures in place	
Action needed	Risk assessments	
Action ongoing	Up take of Health and Safety training	
Latest Note:		
Ongoing risk, highlighted by identified issues with Asset Management and Control of contractors. Risk Assessments remain outstanding in a number of service areas and are to be escalated to CEO if not completed by end of July.		

Risk Code: CP06	Failure for our wholly owned companies to comply with H&S legislation.	Accountable Officer : Matt Fairclough-Kay
Unmitigated Score: High (16)	Description: There continues to be risk of Health and Safety incidents within our wholly owned companies that undertake high risk activity.	Risk Completion Officer : Dave Walker
Mitigated Current Score: High (16)		Last Review Date : 05/07/2023
Mitigation status:	Mitigation:	
Action ongoing	Adequate Health and Safety resources available	
Action ongoing	Auditing of Assets/Sites	
Action ongoing	Communication	
Action ongoing	Ensure staff are aware of health and safety policies and procedures	
Action ongoing	External Liaison	
Action completed	H&S Training	
Action ongoing	Health & Safety Management Auditing	
Action completed	Policies and procures in place	
Action ongoing	Reporting of H&S	
Latest Note:		
Issues regarding Asset management continue to arise and are currently being investigated and reviewed. Decisions on additional admin resource to support H&S are still required.		

Risk Code: CP14	Delivery of SEND	Accountable Officer : Nancy Meehan
Unmitigated Score: Very High (25)	Description: The Local Area is required to deliver high quality SEND services in line with SEND Code of Practice 0 – 25 years – January 2015. In November 2021 the Local Area was inspected by Ofsted and CQC on the effectiveness of delivering the SEND duties. The Local Area was found to have significant areas of weakness in the area’s practice and as such required a written statement of action to be created and enacted to improve practice.	Risk Completion Officer : Lisa Chittenden
Mitigated Current Score: Very High (20)		Last Review Date : 21/06/2023
Mitigation status:	Mitigation:	
Action ongoing	Internal controls	
Action ongoing	Networking / best practice	
Action ongoing	P1 - Joint Commissioning	
Action ongoing	P2 – SEND Strategy	
Action ongoing	P3 – Cultural change	
Action ongoing	P4 – Joint working	
Action ongoing	P5 – Graduated response	
Action ongoing	P6 – Becoming an adult	
Action ongoing	P7 – Quality assurance and community engagement	
Action ongoing	Written Statement of Action for SEND Improvement	
Latest Note: The progress of our Written Statement of Action continues to be tracked and governed through our SEND Board and DFE Monitoring Visits. Risks and issues are identified through this process. Current risks are resilience of all agencies to respond and systems changes need to ensure joint commissioning and financial contributions across agencies. The impact on children and young people although starting to change, is not felt widely enough across the system at this stage.		

Risk Code: CP15	Failure to stabilise the budget for the Higher Needs block	Accountable Officer : Nancy Meehan
Unmitigated Score: Very High (25)	Description: The Higher Needs Block of the Dedicated Schools Grant continues to be overspent. The forecast year end overspend (2022/23) is £2.716m with a cumulative deficit of £11.715m. The Higher Needs Block provides funding to education provisions through the provision of additional support either through identification at SEN K or through the provision set out in an Education Health and Care Plan. The identification of need and the demands on the budget are currently not aligned to the budget received on annual basis. The deficit position of the budget is currently supported by a National Statutory Override, this mechanism is in place for the next three years and provides a way of the Council accounting for the deficit, however this does not address the deficit budget position. In February 2022 Torbay were invited to take part in the Safety Valve programme. The aim of the programme is to agree a package of reform with the DfE and approved by the Secretary of State to implement a DSG Management Plan of the high needs system that will bring the dedicated schools grant (DSG) deficit under control by reducing the spend on the high needs budget by 26/27. Torbay were notified on 14.3.2023 that the S of S had approved the proposals and as a result will support Torbay financial with the HNB deficit on the basis we can implement robustly the proposals within the DSG Management Plan. Torbay will be subject to 3 times a year monitoring visits as part of the scrutiny.	Risk Completion Officer : Lisa Chittenden
Mitigated Current Score: Very High (20)		Last Review Date : 21/06/2023
Mitigation status:		Mitigation:
Action ongoing	Ceasing and reviewing Education Health and Care Plans	
Action ongoing	Control – Contributions from agencies	
Action ongoing	Control – Higher Needs Review Group	
Action ongoing	Control – IPOP panel	
Action ongoing	Control – SEND Board and Continuous Improvement Board	
Action ongoing	Early intervention and Prevention	
Action ongoing	Implement the DSG Management Plan	
Action ongoing	Learn from Best Practice	
Action ongoing	Performance data	
Action ongoing	Safety Valve	
Action ongoing	Workforce Development Programme	
Latest Note:	Safety Valve agreement came into place on the 17th March 2023 providing the deficit budget position to be funded subject to the ongoing delivery of the SV terms and conditions of the agreement. The first submission of progress to meet the T&C was the 16th June 23.	

Risk Code: CP17	Placement sufficiency	Accountable Officer : Nancy Meehan
Unmitigated Score: Very High (25)	Description: The Children's Social Care Market Study, undertaken by the Competition and Markets Authority and published in March 2022 found that there were a lack of available placements of the right kind and in the right places, which inevitably leads to some children not consistently accessing the care and accommodation that meet their needs. In addition, the largest private providers of placements are making materially higher profits, and charging materially higher prices, than would be expected if this market were functioning effectively. Taken together with a regional challenge in the South West which highlights that there was only 85 more local authority approved placement in July 2022 than in 2018 providing less than half of the required places for cared for children and fifteen fewer approved fostering households available through Independent Fostering Agencies. (Source The South West Market Position Statement, 13 July 2022), it constructs a care system landscape under significant stress in trying to respond to the needs of children and young people. Consequently, symptoms of the aforementioned stress are starting to become evident. For example, providers have reported an increase in the use of residential provision for younger children. Further descriptionThe South West Sufficiency Project data collection, shows a marked increase in the number of children aged under 11 placed in residential provision (across the South West, 493 children aged 5-10 years of age were placed in residential provision in 2018/19, 635 in 2019/20 and 647 in 2020/21). Whilst Torbay has not mirrored this trend, the increased use of this provision for younger children, likely driven by the aforementioned fostering sufficiency challenges, has led to insufficient availability of matched residential provision, especially for those children subject to criminal exploitation and contextual safeguarding risks and associated trauma-related needs. This trend and Torbay's use of residential solutions and the reasons for doing so will continue to be closely monitored.	Risk Completion Officer : Lisa Chittenden
Mitigated Current Score: Very High (20)		Last Review Date : 21/06/2023

Mitigation status:	Mitigation:
Action ongoing	Edge of care
Action ongoing	Enhanced placement planning
Action ongoing	Former Foster Carer SGO scoping
Action ongoing	Fostering Recruitment
Action ongoing	Parent and Child Placement
Action ongoing	Resilience carers
Action ongoing	Reunification scoping
Action ongoing	Training
Latest Note:	We have taken a service risk and placed it within the corporate statement in relation to P&Cs . The service actively reviews sufficiency of placements on a weekly basis.

Risk Code: CP18	Demand on services outstrips resource and budget	Accountable Officer : Nancy Meehan
Unmitigated Score: High (20)	Description: There are a number of factors currently which may lead to an increased demand for service across the Children's directorate which have the potential to significantly impact when considered in the context of available resource and budgets. This could manifest in* increased referrals in relation to social care response.* increased applications for school placements.* increased level of RSAs to meet SEND need. * increased numbers of cared for children due to family complexities. Increased numbers of UASC and those who turn 18 and become cared for National changes to the changes to the NTS. Sufficiency of placements both locally and nationally	Risk Completion Officer : Lisa Chittenden
Mitigated Current Score: High (20)		Last Review Date : 21/06/2023

Mitigation status:	Mitigation:
Action ongoing	Audit activity
Action ongoing	Continued investment in Early Help services, including the roll out of the Family Hubs programme
Action ongoing	Continued work within the Written Statement of Action SEND response.
Action ongoing	Creative resource management
Action ongoing	Use of cross-service Incident Management Teams
Latest Note:	Although from a council perspective we continue to monitor activity there is the potential that services will be impacted on due to partner agencies being able to fulfil their stat duties resulting in more families being in crisis and requiring responses from CS

Risk Code: CP19	Recruitment and retention Of Social Workers	Accountable Officer : Nancy Meehan
Unmitigated Score: High (16)	Description: Ofsted's Annual Report 2021-22 highlights some of the workforce issues facing children's social care; whilst challenges in terms of recruitment and retention were present prior to the pandemic, they have become exacerbated post-pandemic, with many local authorities facing significant challenges to recruit and retain staff with the sufficient experience and skill to fulfil the breadth of roles required. Ofsted describes this as "the biggest challenge the sector currently faces". In the year leading up to September 2021, 9% of all local authority children's social workers left local authority social work, an increase from 7% the previous year. The education sector are facing similar recruitment and retention challenges in both schools and early years settings.	Risk Completion Officer : Lisa Chittenden
Mitigated Current Score: High (20)		Last Review Date : 21/06/2023
Mitigation status:		Mitigation:
Action ongoing	ASYEs	
Action ongoing	Benchmarking activity	
Action ongoing	International social worker recruitment	
Action ongoing	Mapping	
No Status Set	Poor Management & Workforce Development	
Action ongoing	Recruitment	
Action ongoing	Review of the retention offer	
Action ongoing	Succession planning	
Latest Note: There is a national, as well as local challenge in terms of R&R of qualified staff and therefore the mitigations remain ongoing.		

Risk Code: CP32	Increased homelessness and insufficient temporary accommodation	Accountable Officer : Tara Harris
Unmitigated Score: High (16)	Description: It is a statutory responsibility to prevent and provide assistance to people threatened with or actually homeless. There has been an 64% increase in people presenting to the local authority and a 66% increase since 2020 in those being provided in temporary accommodation. There is also a changing dynamic to those seeking assistance, with an increase in number of families approaching the service. The level of complexity is also increasing, impacting on the ability to seek accommodation and support clients appropriately. The type and volume of temporary accommodation to meet our statutory responsibility has therefore become more challenging. The use of 'spot purchased' accommodation is also becoming more costly due to changing housing market and general supply and demand, as other areas face similar challenges.	Risk Completion Officer : Lianne Hancock
Mitigated Current Score: High (16)		Last Review Date : 10/07/2023
Mitigation status:		Mitigation:
Action needed	Homeless and Rough Sleeping Strategy	
Action ongoing	Housing Strategy	
Action needed	Identification and facilitation of move on accommodation (business case)	
Action ongoing	Identification and facilitation of move on accommodation (grant funding)	
Action ongoing	Identification and facilitation of move on accommodation (PRS)	
Action ongoing	Increase in financial assistance	
Action ongoing	Performance data (finance)	
Action ongoing	Performance data (LOCATA)	
Action needed	Performance data (staffing)	
Action needed	Prevention Activity (Children's Services)	
Action ongoing	Prevention Activity (duty to refer)	
Action ongoing	Prevention Activity (housing assistance with partners)	
Action ongoing	Prevention Activity (restructure)	
Action needed	Prevention Activity (sustainment of accommodation)	
Action ongoing	Recruitment and retention (recruitment)	
Action ongoing	Recruitment and retention (stability)	
Action ongoing	Recruitment and retention (welfare)	
Action ongoing	Sufficiency of temporary accommodation (domestic abuse)	
Action needed	Sufficiency of temporary accommodation (partners)	
Action ongoing	Sufficiency of temporary accommodation (purchase)	
Action ongoing	Sufficiency of temporary accommodation (staffing)	
Action ongoing	Sufficiency of temporary accommodation for more complex clients (hostel)	
Action needed	Sufficiency of temporary accommodation for more complex clients (rough sleeping)	
Latest Note: On-going challenges around recruitment to Housing Needs Manager post, we also have an additional three vacancies within the team due to officers being successful for posts elsewhere in the service. The lack of management capacity continues to impact the delivery of various projects.		

Risk Code: CP41	Failure to collect, or loss of, income in particular council tax and business rates	Accountable Officer : Malcolm Coe
Unmitigated Score: High (20)	Description: 92% of the Council's £131m annual revenue budget is funded through Council Tax and Business Rates. The Council currently has circa £12m of outstanding debt owed which is mainly in this area.	Risk Completion Officer : Ian Davey
Mitigated Current Score: High (20)		Last Review Date : 07/07/2023
Mitigation status:	Mitigation:	
Action ongoing	Adequate provision for bad debts	
Action ongoing	Review current practices and structures used for debt recovery	
Action not due to start	Review of Council Tax Hardship Fund	
Action ongoing	Review of write-off procedures, frequencies and delegations	
Latest Note: Early progress has made across these mitigations. For example, we have engaged Civica on Demand to help us clear processing backlog.		

Risk Code: CP42	Failure to have adequate business cases and option appraisals in place for key decisions.	Accountable Officer : Malcolm Coe
Unmitigated Score: Very High (25)	Description: Torbay Council has set an ambitious capital investment programme of £274m over the next 3 years alongside significant ongoing revenue spend. Due to rising inflation and construction costs, a number of existing projects now have significant financial viability gaps which requires the council to reprioritise spend within the resource envelope available. The recent change in political control also emphasises the need to reassess our future investment programme.	Risk Completion Officer : Malcolm Coe
Mitigated Current Score: Very High (20)		Last Review Date : 07/07/2023
Mitigation status:	Mitigation:	
Action ongoing	Adopt a Programme, rather than project approach	
Action ongoing	Review and update Project Management governance and discipline	
Action ongoing	Review existing grant funding and delivery	
Action ongoing	Review of internal processes	
Action ongoing	Terms of reference and membership of the Capital Growth Board	
Latest Note: Project templates have been drafted to engage with good project management discipline. This needs to be retrospectively applied existing projects within the capital investment programme. Affordability, and prioritisation, of the existing programme has started to be discussed with the new Cabinet.		

Risk Code: CP44	Failure to meet grant conditions such as Town Deal Funding	Accountable Officer : Malcolm Coe
Unmitigated Score: Very High (25)	Description: The Council has attracted a number of government grants over the last few years, many of which to deliver regeneration and town centre capital projects. The council needs to have a greater focus on engaging the support services at the application stage. There is a risk that the Council might not be able to utilise the town deal funding within the specific budget and/or timescale prescribed.	Risk Completion Officer : Malcolm Coe
Mitigated Current Score: Very High (20)		Last Review Date : 12/06/2023
Mitigation status:	Mitigation:	
Action ongoing	Baseline audit of existing grant funding	
Action not due to start	Open dialogue with government funding departments	
Action ongoing	Prioritisation of Council Capital investment projects	
Action not due to start	Review of internal processes	
Action ongoing	Viability assessment of projects	
Latest Note: Re-prioritisation of the Council's entire capital programme has commenced considering affordability and deliverability of individual schemes.		

Risk Code: CP45	Failure to effectively and efficiently deliver the Capital Programme	Accountable Officer : Alan Denby
Unmitigated Score: High (20)	Description: The Council has a complex and ambitious capital programme which includes capital projects intended to provide benefits for the Council and community across the breadth of the Community and Corporate Plan. Since the Covid pandemic beginning in 2020 delivery of the programme has become more challenging with other externalities increasing the cost of delivery.	Risk Completion Officer : Alan Denby
Mitigated Current Score: High (16)		Last Review Date : 10/07/2023
Mitigation status:	Mitigation:	
Action ongoing	Develop the position of Torbay within the Devon Deal and deepen the relationship with Government and	
Action ongoing	Identification of appropriate project delivery routes	
Action ongoing	Review of the capital programme	
Action ongoing	Review of the Council's procurement strategy to ensure it is fit for purpose	
Action ongoing	Review the Council's programme and project management methodology.	
Latest Note: The capital programme review and development/introduction of a new methodology for the capital programme is nearly complete providing clearer gateway and decision points and focusing on the importance of business cases and their use a control tool for projects.		

Risk Code: CP46	Effective Housing delivery	Accountable Officer : Alan Denby
Unmitigated Score: High (20)	Description: That the Council fails to ensure delivery of an appropriate breadth and scale of housing to meet Torbay's needs. This means that there will be insufficient housing to meet the requirements of Torbay's communities for the overall number of properties, their size and affordability. There will also be impacts on the Community & Corporate plan should the risk be borne out.	Risk Completion Officer : David Edmondson
Mitigated Current Score: High (20)		Last Review Date : 05/07/2023
Mitigation status:	Mitigation:	
Action ongoing	Confirmation of the Council's role in housing delivery.	
Action ongoing	Delivery of the Housing strategy action plan	
Action ongoing	Delivery of the Planning Service for the Future project	
Action ongoing	Delivery of the Town Centre regeneration programme	
Action ongoing	Development of the Strategic Housing Board	
Latest Note: Provision of affordable housing through TorVista on a number of schemes in the Bay in this financial year. New Head of Housing Delivery & Strategy post-holder will play a lead role here along with Housing Options Team for forecasting and addressing demand. Currently aware there is a significant shortfall in affordable housing and high proportion of private rented properties.		

Risk Code: CP47	Effective delivery of Economic Growth Strategy	Accountable Officer : Alan Denby
Unmitigated Score: High (20)	Description: The council has a responsibility to promote economic wellbeing within Torbay, this includes the facilitation and enabling of business survival and growth, employment opportunities for local people and an increase in the level of productivity. The Economic Growth Strategy outlines the councils' strategic plans to achieve these objectives and defines how delivery will help to tackle climate change and protect and enhance the natural environment of Torbay.	Risk Completion Officer : Lisa Tuck
Mitigated Current Score: High (20)		Last Review Date : 10/07/2023
Mitigation status:	Mitigation:	
Action ongoing	Budget & Prioritisation	
Action ongoing	Delivery plan monitoring/project and programme structure	
Action ongoing	Improve innovation and growth ecosystem in Torbay, with partners	
Action ongoing	Improve the business strategic voice	
Action ongoing	Relationship with DLUHC and Government	
Action ongoing	Secure medium term supply of employment land	
Latest Note: Delivery of the action plan is underway. Resource availability is compromising some of the work around growth sectors i.e. creative and healthcare sectors. Delivery of the UK Shared Prosperity Fund programme is increasing activity in the community with the Multiply programme having support 82 learners to date.		

Risk Code: CP48	Failure to deliver town centre regeneration projects	Accountable Officer : Alan Denby
Unmitigated Score: High (20)	Description: Torbay's economy regeneration is heavily dependent on successful delivery of the town centre regeneration programmes in Torquay and Paignton. Significant government resources have been offered to the area and there has been historic extensive engagement with the communities of Torbay creating an expectation of delivery. There is financial, reputational and economic risk if the programmes and projects are not delivered.	Risk Completion Officer : Alan Denby
Mitigated Current Score: High (20)		Last Review Date : 10/07/2023
Mitigation status:	Mitigation:	
Action ongoing	Develop Torbay's position within Devon Deal and deepen relationships with Government and agencies	
Action ongoing	Identification of appropriate project delivery routes	
Action ongoing	Prioritisation of the town centre regeneration programme	
Action ongoing	Use the Levelling Up Partnership to support delivery	
Latest Note: Steps to improve the overall management of the capital programme from inception, through business case development to contract management are being taken. Preparation for the Levelling Up Partnership discussions with DLUHC have seen delivery of the town centre regeneration programme emerge as a focus. Follow up post UKREIFF continues.		

Risk Impact Guide

	Operational Delivery Impacts	Strategic Direction Impacts	Council Financial Impacts	Legal Impacts	Governance Impacts	Reputation Impacts	Health Impacts	Security Impacts	Environmental Factors Impacts*	Deprivation Impacts**	Assets Impacts	Other Services / Organisations Impacts	Local Economy Impacts
1 Insignificant	Service delivery affected but not disrupted	Slight, temporary deviance from one area of strategic direction	Under £25,000	Low value claim / dispute	Individual internal control not effective	Insignificant adverse publicity	No detrimental impact on health of individuals	No notifiable or reportable incident	No negative impact on the natural environment and/or no increase in carbon emissions	No detrimental impact on deprivation	Low level loss or damage to asset; no effect on service or community provision	Service delivery by other services / organisation affected but not interrupted	Low level economic decline
2 Minor	Some disruption to specific service	Slight, temporary deviance from several areas of strategic direction	£25,000 - £100k	Possibility of Court action	More than one internal control not effective	Minor adverse publicity	Health issues will require treatment at community level	Localised incident. No effect on operations	Small or short term, localised impact on the natural environment and/or no increase in carbon emissions	Intervention required at community level	Short-term loss of asset not critical to service or community provision	Some interruption to specific services provided by other services / organisations	Significant economic decline affecting under 10% of businesses / increased business failure / across several of areas of Torbay
3 Moderate	Disruption to a number of service areas	Significant deviance from one area of strategic direction	£100k - £1m	Likelihood Court action / tribunal	Loss of confidence in a number of internal controls requires Senior Officer intervention	Moderate adverse publicity	Health issues will require treatment in hospital	Localised incident. Significant effect on operations	Small or short term, area-wide impact on the natural environment and/or an increase in carbon emissions	Wider community identification required	Long-term loss of asset not critical to service or community provision	Disruption to a number of service areas provided by other services / organisations	Significant economic decline affecting between 10% and 15% of businesses / increased business failure. rise in unemployment across Torbay
4 Major	Shutdown of specific service area / disruption to a number of service areas	Significant deviance from several areas of strategic direction	£1m - £10m	Court action impeding delivery of council objective	Loss of confidence in council or external audit bodies / disciplinary of council officers / Elected Members	Sustained adverse publicity	Long-term or acute health issues	Significant incident involving multiple locations	Long term impact on the natural environment and/or a long term increase in carbon emissions	Long term acute issues	Short-term loss of asset critical to council income, service or community provision	Shutdown of specific service areas provided by other services / organisations	Significant economic decline in more than 15% of businesses / risk of business failure, disinvestment and relocation of businesses and a rise in unemployment across many areas of Torbay
5 Critical	Shutdown of a number of service areas	Strategic direction totally compromised unrecoverable	>£10m	High profile Court action / tribunal	External body intervention required	Senior Officer or Elected Member disciplinary or resignation	Fatalities	Extreme incident seriously affecting continuity of operations	Extensive impact on the natural environment and/or a long term increase in carbon emissions.	Fatalities	Total long-term loss of asset critical to council income, service or community provision	Shutdown of a number of service areas provided by other services / organisations	Economic decline multiple businesses failing, disinvestment and relocation, unemployment are significant across all of Torbay

* Impact on natural environment and carbon emissions by increasing energy, water and waste consumption / transport related emissions / climate vulnerability (vulnerability to current and future changes in climate i.e. heat, extreme weather, flooding) / flood risk / biodiversity and habitat loss / pollution (land, air or sea).

**Income, employment, education, skills and training, health and disability, crime, barriers to housing and services, living environment.

Score	Probability	Risk (not all need apply)
1	Rare	If it is rare and not likely to occur <i>and / or</i> Very unlikely this will ever happen e.g. once in 100 years
2	Unlikely	If it is unlikely to occur but may occur in exceptional circumstances <i>and / or</i> Not expected to happen but is possible e.g. once in 25 years
3	Possible	If it possible it will happen and could occur in certain circumstances <i>and / or</i> May happen occasionally e.g. once in every 5-10 years <i>and / or</i> Has happened elsewhere
4	Likely	If it is likely to occur and will probably occur in multiple circumstances <i>and / or</i> Will probably happen but not a persistent issue e.g. at least every 1-2 years <i>and / or</i> Has happened in the past
5	Almost Certain	If it is almost certain to happen and expected to occur in most circumstances <i>and / or</i> Will undoubtedly happen, possibly frequently <i>and / or</i> Imminent near miss

Meeting: Audit Committee

Date: 26th July 2023

Wards Affected: None

Report Title: Risk Assurance Report For Our Integrated Adult Social Care Services

Is the decision a key decision? No

When does the decision need to be implemented? N/A

Cabinet Member Contact Details: Councillor Tranter, Cabinet Member for Adult and Community Services, Public Health and Inequalities, Hayley.tranter@torbay.gov.uk
Councillor Tyerman, Cabinet Member for Finance and Corporate Services, alan.tyerman@torbay.gov.uk

Supporting Officer Contact Details: Joanna Williams, Director Of Adult Services, joanna.williams@torbay.gov.uk

1. Introduction

- 1.1 As part of our risk management framework during 2022/23 Audit Committee approved the inclusion of Appendix A - Risk Governance Process For Our Integrated Adult Social Care Service.
- 1.2 The process was put in place as the statutory responsibility for Adult Social Care Services (ASC) sits with the council, however, the council has had an agreement in place since 2005 with Torbay South Devon NHS Foundation Trust (TSDFT) to deliver the operational services on the council's behalf.
- 1.3 As these services represent a significant spend for the Council (approximately 38% of the council's overall budget in 2022/23), our risk processes state that the Director of Adult Services will bring to Audit Committee an annual assurance report.
- 1.4 As set out in Appendix A, audits conducted on the Council's governance services for ASC are carried out by Devon Audit Partnership. Audits conducted on Torbay South Devon NHS Foundation Trust's operational ASC services are carried out by ASW Assurance.
- 1.5 This report provides a summary of both auditors' views and audit plans for 2023/24.

2. ASW Assurance Statement

- 2.1 Attached as Appendix B is a letter from ASW providing details relating to their assurance work that was carried out at the trust during 2022/23. The statement consists of two elements; Internal Audit Assurance and Counter Fraud Service Assurance. The Head of Internal Audit's opinion, as presented to TSDFT at its

Audit Committee held on 21st June 2023, provided an overall '**Satisfactory**' opinion. This was based on the audit work conducted during 2022/23. There were two specific audits carried out in relation to the Adult Social Care Services. These are below:

- Adult Social Care Outcomes Framework - Satisfactory
- Arranging Support Team - a management support review with no opinion provided

3. Devon Audit Partnership (DAP)

3.1 Included within this committee's agenda papers for today's meeting is the Devon Audit Partnership's Annual Audit Report 2022/23. Page 2 includes the overall opinion statement. The Head of Internal Audit's opinion on the adequacy and effectiveness of the authority's internal control framework is one of "**Reasonable Assurance**". DAP completed two specific audits linked to ASC during 2022/23, these are below:

A review on:

- ASC client debt (monitoring of commissioned function) – Limited Assurance
- ASC precept use (control of procurement and spend) – Limited Assurance

4. Future Audit Plans

4.1 The Torbay Council Internal Audit Plan was approved by the Audit Committee on 22nd March 2023. In respect of ASC the plan included the following piece of work which will be completed by DAP:

- ICO Sustainability and Improvement Plan (Management and Monitoring)

4.2 On the 17th July 2023 a meeting is taking place with the Director Of Adult Services and ASW Assurance to agree the audit work for 2023/24 in relation to the ASC's operational services.

5. Recommendation(s) / Proposed Decision

(i) That Audit Committee note the report.

Appendices

Appendix A: Risk Governance Process For Our Integrated Adult Social Care Service
Appendix B: ASW Assurance's Annual Assurance Statement

Background Documents

Report clearance:	This report has been reviewed and approved by:	Date:
Chief Executive	Anne-Marie Bond	N/A
Monitoring Officer	Amanda Barlow	12/07/2023
Director Of Finance Officer	Malcolm Coe	11/07/2023
Director Of Corporate Services	Matthew Fairclough-Kay	11/07/2023

Risk Governance Process For Our Integrated Adult Social Care Service

This document is an appendix to the council's risk management framework. It sets out the processes that provide the risk assurance of our Adult Social Care services in Torbay.

Introduction

Torbay Council holds the statutory duty to ensure that Adult Social Care is in place in Torbay. This consists of duties under The Care Act 2014, The Mental Capacity Act 2005 and the Mental Health Act 1983/2007. The Director of Adult Social Services (DASS) holds the statutory duty for Adult Social Care (ASC) in Torbay.

A Section 75 agreement is in place with Torbay and South Devon NHS Foundation Trust (TSDFT) who deliver operational services in relation to the Care Act 2014, the Mental Health Act 1983/2007, and the Mental Capacity Act 2005.

Practically, this means the delivery of Social Work Services, operational delivery of Safeguarding Adult Services, operational commissioning, and contract management of the social care market are delivered by TSDFT. Torbay Council retains responsibility for oversight of the Adult Social Care market and the wider delivery of wellbeing, information, and advice.

This arrangement was originally founded in 2005 and was refreshed in 2012 when Torbay and Southern Devon Health and Care Trust was established and novated to Torbay and South Devon NHS Foundation Trust on the 1st October 2015.

Nationally, Adult Social Care services are facing big challenges due to increasing demand, complexity of need and availability of resources. For Torbay Council, the Adult Social Care spend represents approximately 38% of the council's overall budget, therefore it is a significant spend and the risks must be carefully managed.

Risk Assurance

Both organisations follow their own risk management frameworks. Risks for Adult Social Care are included in both. The risk management framework in operation within each organisation is audited by each organisation's auditors: Torbay Council's auditors are Devon Audit Partnership (DAP) and Torbay & South Devon NHS Foundation Trust's auditors are ASW Assurance.

As the Council's DASS holds the overall responsibility for Adult Social Care in Torbay, this post works in partnership with both DAP and ASW Assurance to ensure identified control systems and processes are reviewed providing assurance that risk is appropriately managed.



Torbay Council

The council's Section 151 Officer holds the statutory responsibility for ensuring there are effective arrangements in place to manage the organisation's risks. The council's DASS takes responsibility for identifying, managing, and updating the Adult Social Care risks as per the council's risk management framework.

Each year, the DASS will be consulted by the Section 151 Officer to identify the areas that need to be included within the council's annual audit plan. This audit plan is delivered by the Devon Audit Partnership. The council's Audit Committee have oversight of the entire audit plan for the council and DAP's annual report. After each audit the DASS is supplied a draft report of DAP's findings and recommendations. The report is finalised once the DASS has provided a response to the recommendations. Should the need arise, the DASS can make a request to the Section 151 Officer for additional audits.

Torbay and South Devon NHS Foundation Trust

The Board of Torbay and South Devon NHS Foundation Trust (TSDFT) is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. This governance framework includes the committee structure, the structure and use of the Board Assurance Framework, and risk assessment and management processes.

TSDFT's internal auditors, ASW Assurance, include within an overall annual audit plan Adult Social Care related operational audit reviews, identified and approved through discussion with the DASS. The annual audit plan is agreed through the Risk Group prior to consideration and approval by the Audit and Risk Committee.

Section 75 Strategic Agreement

To formalise the above, the Section 75 Strategic Agreement between Torbay Council and Torbay and South Devon NHS Foundation Trust states that the Trust will:

- ✓ Along with the council put forward areas of Adult Social Care audit priorities;
- ✓ Consult with the Director of Adults Social Services (DASS) of Torbay Council on proposed internal audit coverage;
- ✓ Provide to the DASS copies of assignment reports that relate to control arrangements for Adult Services;

- ✓ Provide an annual statement to the DASS on the adequacy and effectiveness of the overall system of internal control for the Trust, and in particular, those areas directly affecting Adult Services.

Devon Audit Partnership & ASW Assurance

In addition to the processes laid out in the Strategic Agreement. The auditors for both organisations have agreed to:

Joint Planning:

- Meet in January each year to consider how ASC is included in their audit plans for the forthcoming year. The auditors will meet again in June/July to discuss their assurance reports.
- Share between each other their proposed audit plans to inform the overall picture of ASC assurance sources.
- Discuss and consider both organisation's risks in relation to ASC to inform planning discussions (annual and in year) with the DASS.

ASW Assurance:

- At the start of each audit year ASW Assurance will set out the expected assurance reviews that will be required to be shared, upon completion, with the council's DASS, Section 151 Officer and DAP.
- ASW Assurance and TSDFT to agree a process for early/urgent identification and consideration of audit control concerns to the DASS.
- ASW Assurance and TSDFT to agree the format of the Annual Assurance Statement that is provided to the council's DASS, Section 151 Officer and DAP.
- ASW Assurance's Annual Assurance Statement to be agreed by TSDFT Deputy Chief Executive and Chief Finance Officer prior to sharing with the Council's DASS, Section 151 Officer and DAP.

Governance

All council risks associated with Adult Social Care will be managed in accordance with the council's risk policy and framework. The council's strategic, corporate and service risks are held, managed and reviewed using the council's risk management software SPAR.net. The council's strategic and corporate risk registers are reported to and reviewed by the Senior Leadership Team, Senior Elected Members and Audit Committee at least three times per year.

The TSDFT risks associated with Adult Social Care are managed in accordance with their risk management framework and policy. TSDFT's strategic, corporate and service risks to objectives are held, managed and reviewed using the Trust's risk management software Datix. Risks identified to the delivery of the Adult Social Care Services are reported to the Adult Social Care Operational Oversight Group and when necessary escalated to the specific Integrated Governance Group meeting for: Families Community and Place Based Care and potentially to the Trust's Risk Group.

When TSDFT mitigated risks score 16 or above, the council's DASS will be made aware. These risks, the controls they have in place and officer reviews/updates will be shared with the DASS until the mitigated risk score reduces down again below 16.

On receipt of ASW Assurance's Annual Assurance Statement, which provides an overall opinion on the Adult Social Care services provided by the Trust, the council's DASS will review the findings with the Section 151 Officer.

The DASS in conjunction with the council's Section 151 Officer will prepare a report for Audit Committee and when considered necessary also the Adult Social Care and Health Overview and Scrutiny Sub-Board. This report will include:

- Any notable outcomes or concerns that DAP or ASW Assurance have identified as part of their audit reports.
- Any responses made by the DASS in relation to audit report recommendations.
- The DASS's overarching opinion on any risks or assurances that need to be shared with the committees.
- The audit plan for the current year and thoughts on future audits required.
- ASW Assurance's latest Annual Assurance Statement.

ASW Assurance
Newcourt House
Newcourt Drive
Old Rydon Lane
Exeter, EX2 7JQ

Mr Malcolm Coe, Director of Finance and Section 151 Officer
Torbay Council
Town Hall
Castle Circus
Torquay, TQ1 3DS

Sent via email to malcolm.coe@torbay.gov.uk

5th July 2023

Our ref: AL050723

Dear Mr Coe,

Statement of Assurance for Internal Audit and Counter Fraud Services to Torbay and South Devon NHS Foundation Trust

Please find enclosed a statement of assurance for internal audit and counter fraud, provided by the Director of Audit and Assurance Services at ASW Assurance; the provider of internal audit, counter fraud and consultancy services to Torbay and South Devon NHS Foundation Trust; in relation to services provided to the Trust for 2022/2023.

This assurance statement consists of the following elements:

- 📌 Internal Audit Assurance Statement, including:
 - Head of Internal Audit Annual opinion, including the audit and assurance work we completed in support of the Opinion for 2022/2023.
 - Information on the Third-Party Assurance report in relation to IT General Controls in respect of the Electronic Staff Record (ESR).
 - Internal audit recommendations.
- 📌 Counter Fraud Service Assurance Statement, including information on:
 - The annual Counter Fraud work plan covered the 13 components of the Government Functional Standard 013: Counter Fraud.
 - The risk assessment in compliance with Government Counter Fraud Profession Risk Assessment Methodology (GCFP).

Yours sincerely



Amanda Lowe
Director of Audit and Assurance Services
ASW Assurance

cc: Director of Adult and Community Services – Joanna.williams@torbay.gov.uk
Devon Audit Partnership, via email - tony.d.rose@devon.gov.uk

Torbay and South Devon NHS Foundation Trust

Statement of Assurance for 2022/23

Introduction

The following statement of assurance is provided by the Director of Audit and Assurance Services at ASW Assurance; the provider of internal audit, counter fraud and consultancy services to Torbay and South Devon NHS Foundation Trust; in relation to services provided to the Trust for 2022/23.

This assurance statement consists of the following elements:

- 📍 Internal Audit Assurance Statement.
- 📍 Counter Fraud Service Assurance Statement.

Internal Audit Assurance Statement

In conformance with the ASW Assurance Internal Audit Charter, Public Sector Internal Audit Standards and the Core Principles for the Professional Practice of Internal Auditing, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed on the overall adequacy and effectiveness of an organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). ASW Assurance is externally assessed as compliant with Public Sector Internal Audit Standards.

The opinion provided to Torbay and South Devon NHS Foundation Trust for 2022/23 was substantially derived from the risk-based plan generated from the Trust-led Assurance Framework that took into consideration the strategies, objectives and risks of the organisation, the expectations of senior management, the Trust Board and other stakeholders, that was agreed by management and approved by the Audit and Risk Committee.

The basis for forming the opinion takes into consideration the context and oversight of the Trust as set out above, and the following:

1. An assessment of the design and operation of the underpinning Assurance Framework and supporting processes.
2. An assessment of individual opinions arising from risk-based audit assignments from the Audit and Assurance Plan that have been reported during the period 1 April 2022 and 31 March 2023. This assessment takes account of the relative scope and materiality of the areas reviewed and management's progress in respect of addressing control weaknesses.
3. Any reliance that is being placed upon third party assurances are provided as part of this opinion.

My overall opinion is that:

***Satisfactory assurance** can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and controls are generally being applied consistently. Weaknesses in the design and/or inconsistent application of controls in some key areas put the achievement of particular objectives at risk.*

The assurances provided from the work undertaken, which together supported this opinion, are set out below.

We have concluded that the Trust has sound key core financial system controls and that over the past year, the Trust has continued to improve its governance arrangements including its Board Assurance Framework. Our working relationship with the Executive Team continues to enable us to undertake in depth reviews which provide a rich contribution to the assurances the Board receives on the effectiveness of the Trust's internal control arrangements and its governance framework. Our work this year has confirmed that improvements continue to be achieved across the Trust, although it is acknowledged that there is still work to be done to fully embed those improvements at all levels.

The Audit and Assurance Plan included reviews of core systems including Board Assurance Framework, Risk Management, Finance systems and Payroll, and value add reviews, where Internal Audit has supported the Trust in making improvements and enhancements to its processes and practices in its drive to provide the best services to its patients and service users

Where we gave limited assurance opinions, the Trust has responded positively to our findings and recommendations, taking timely action on high risk rated areas of improvement. However, there are examples of slow progress being made to address a number of low and medium risk rated recommendations, with a number of actions having passed the agreed, and in some cases revised, implementation dates.

The tables overleaf detail the audit and assurance work we completed in support of the Head of Internal Audit Opinion for 2022/23.

Corporate Governance	
Audit	Assurance Rating
Board Assurance Framework and Risk Management	Satisfactory

Financial Management Systems	
Audit	Assurance Rating
Review of HFMA Improving NHS Financial Sustainability Checklist	Not applicable
Capital Strategy and Expenditure	Satisfactory
Financial Systems	Satisfactory
Payroll	Satisfactory
Walnut Lodge Petty Cash	Not applicable

Corporate Assurance	
Audit	Assurance Rating
Emergency Preparedness, Resilience and Response (EPRR) – Post Incident Debriefs	Limited
Medical Staffing – New L2P Job Planning System – Progress with Project	Limited
Fire Safety – Baseline Assessment	Satisfactory
Patient Safety – Management of Serious Incidents	Satisfactory
Workforce Plan and Ongoing Workforce and Workforce Planning Considerations	Various – Limited/Satisfactory
Medical Devices Training Records	Limited
Completion of Risk Assessments on Admittance to Hospital	Limited/Satisfactory
Adult Social Care Outcomes Framework Performance Reporting	Satisfactory
Care Quality Commission (CQC)	Satisfactory
Maternity	Satisfactory
Cyber Security	Satisfactory
Arranging Support Team	Management Review – No Opinion provided

In support of the Head of Internal Audit Opinion work we reviewed the Trust's self-assessed position of its compliance with the requirements of the Data Security and Protection Toolkit (DSPT) using NHS Digital's Auditing guidance.

Third Party Assurance

The following Third Party assurance report was included within the Head of Internal Audit Opinion:

ISAE 3000 Type II Controls Report - Third Party Assurance report in respect of IT General Controls in respect of the Electronic Staff Record (ESR)

The 2022/2023 Independent Service Auditor's report provided by PwC, dated 11th May 2023, provides **qualified assurance** in respect of the IT general controls predominantly designed and operated by IBM in relation to the national Electronic Staff Record and controls in relation to the NHS General Ledger Interface which are the responsibility of the NHS ESR Central Team.

The audit work conducted by PwC covered the following seven areas:

- 📍 Change Management
- 📍 Logical Security
- 📍 Problem Management and Performance and Capacity Planning
- 📍 Physical Security and Environmental Controls
- 📍 Computer Operations
- 📍 Payslip Distribution
- 📍 Data Migration

The key areas in the overall audit opinion of the Report of the Independent Service Auditor leading to the **qualified opinion**, for the period from 1 April 2022 to 31 March 2023, are as follows:

- 📍 *Controls related to the authorisation and revocation of logical access did not operate effectively during the period 1 April 2022 to 31 March 2023 in order to achieve control objective 2 'Controls provide reasonable assurance that security configurations are created, implemented and maintained to prevent inappropriate access.'*
- 📍 *Controls related to the tracking and resolution of NHS Hub Availability issues were not suitably designed during the period 1 April 2022 to 31 March 2023 to achieve control objective 3 'Controls provide reasonable assurance that system and network processing issues are identified, reported and resolved in a timely manner, and that performance against the SLA/contractual requirements for the ESR service is monitored.'*
- 📍 *For the Newcastle data centre there was no available evidence of controls relating to the physical security and maintenance of environmental conditions and controls related to periodic testing of the backup power generators did not operate effectively from 1 April 2022 to 7 September 2022. In addition, controls were not in place to monitor the data centre physical security and maintenance of environmental controls designed and operated by the carved out Subservice Organisation, Crown Hosting Data Centres Limited. As a result, controls were not suitably designed and did not operate effectively during the period 01 April 2022 to 31 March 2023 to achieve control objective 4 'Controls provide reasonable assurance that physical access to controlled areas is restricted to authorised individuals, and that facilities are protected against environmental threats.'*

Section 7 of the report summarises the small number of exceptions found where, in the auditor's opinion, controls had not operated as intended. Management responses to the exceptions outlined either actions to be taken to address issues identified as part of the audit or provided further information to explain the issues identified.

In all material respects, except for the matters referred to in the paragraphs above, controls were suitably designed and operated effectively throughout the period 1 April 2022 to 31 March 2023.

Internal Audit Recommendations

In respect of the audits undertaken during the year, recommendations were agreed with management to address gaps in control and assurance. We monitored the status of these recommendations throughout the year, reporting directly to the Risk Group and the Audit and Risk Committee on recommendations which remained outstanding.

No significant matters were reported to the Audit and Risk Committee in the year, in respect of the follow-up of recommendations.

Counter Fraud Assurance Statement

The NHS Counter Fraud Authority (NHSCFA) requires the Trust to have sound counter fraud arrangements in place that meet NHSCFA standards.

The Counter Fraud function of Torbay and South Devon NHS Foundation Trust is overseen by the Chief Finance Officer and the NHSCFA. An annual work plan was prepared and approved by the Audit and Risk Committee and delivery was reported to the Audit and Risk Committee at each of its meetings. As part of the Strategic Governance of the Counter fraud function, the Audit and Risk Committee are able to question all submissions made by the LCFS and challenge the progress of investigations or any element of their work plan to ensure delivery. Resourcing for delivery of the work plan is agreed through the organisation's Audit and Risk Committee.

The annual Counter Fraud work plan covered the 13 components of the Government Functional Standard 013: Counter Fraud:

- ✔ Accountable Individual (Parts 1A and 1B)
- ✔ Counter Fraud Bribery and Corruption Strategy
- ✔ Fraud bribery and corruption risk assessment
- ✔ Policy and response plan
- ✔ Annual Action Plan
- ✔ Outcome-based metrics
- ✔ Reporting routes for staff, contractors and members of the public
- ✔ Report identified loss
- ✔ Access to trained investigators
- ✔ Undertake detection activity
- ✔ Access to and completion of training
- ✔ Policies and registers of gifts and hospitality and Conflicts of Interest

A risk assessment in compliance with Government Counter Fraud Profession Risk Assessment Methodology (GCFP) is in place. This is a live document, reviewed on a regular basis. During the year, additional staff were sourced to assist with the delivery of planned work.

The Trust's counter fraud arrangements are assessed annually through the submission of an annual report covering the Government Counter Fraud Functional Standard and the Government Counter Fraud Functional Standard Return (CFFSR). This was approved by both the Chief Finance Officer and the Chair of the Audit and Risk Committee before submission to the NHSCFA. The Trust scored an overall 'Green' rating in the CFFSR.

During the year, we opened eight new investigations as a result of receiving allegations of fraud. Some of these investigations have been carried over into 2023/2024. Referrals fell into the following areas:

- Manipulation of the Trust roster system (Healthroster).
- Abuse of sick leave (both cases resulted in a termination of contract).
- Recruitment – false statement on application form (the allegation was positively disproved).

- False contractor timesheets (resulting in the contractor withdrawing from the contract and withdrawing the disputed invoice).
- An employee of a contractor submitting false claims for work (resulting in the recovery of £25,307.79)

Two cases are ongoing. These relate to:

- Alleged misrepresentation to obtain a Personal Health Budget
- Abuse of position

In addition, we conducted 10 Local Proactive exercises. In most cases, this was in response to Intelligence Bulletins received from the NHS Counter Fraud Authority and fell into the following areas :

- Bank Mandate Fraud (six individual exercises).
- The Trust's new staff expenses system.
- Agency booking fees.
- Fraud Risk Assessment.
- Cyber awareness.

We also identified system weaknesses in respect of Personal Health Budget claims which has catalysed a Local Proactive Exercise to be undertaken in this area and will be delivered as part of our 2023/2024 Counter Fraud plan.



Get in touch

www.aswassurance.co.uk

