

## AUDIT COMMITTEE

14 September 2017

Present:-

Councillors J Mathews (Chairman), J Brazil, E Brennan and R Peart

Apologies:-

Councillors I Hall, J Berry and A Saywell

\* **5** Minutes

**RESOLVED** that the Minutes of the meeting held on 30 June 2017 be signed as a correct record.

As it would be her last meeting, the Chair thanked the Director of Grant Thornton for her contribution to the Committee and the audit function.

\* **6** Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

\* **7** Devon County Council Audit Findings Report

The Committee noted the Report of Grant Thornton (CT/17/66) setting out the findings arising from the audit of the County Council's financial statements and the work undertaken in relation to the value for money conclusion.

Grant Thornton had identified no adjustments affecting the Council's reported financial position anticipated, providing an unqualified audit opinion on the financial statements and that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The Committee acknowledged that Grant Thornton had made a number of recommendations in its action plan including a refresh of the Council's medium term financial strategy; increasing the transparency in reporting the delivery of planned savings and the need for the Council to introduce a framework with key milestones for monitoring progress of its Transformational Programme. Members expressed concern as to the effective monitoring of the Transformational Programme and the time period by which savings were likely to be realised.

It was **MOVED** by Councillor Peart, **SECONDED** by Councillor Brennan, and;

**RESOLVED** that the Head of Organisational Development be invited to the next meeting of the Committee to update on the delivery plan for the Transformational Programme.

\* **8** Devon Pension Fund Audit Findings Report

(Councillor Mathews declared a personal interest in this matter by virtue of being in receipt of a widowers pension from the Devon Pension Fund.)

The Committee noted the Report of Grant Thornton (CT/17/67) outlining the findings arising from the audit of the Pension Fund for 2016/17 and described the work undertaken by the

external auditors to address the risks previously identified in the Audit Plan which was considered by the Audit Committee on 28 March 2017 (Minute \*26/28 March 17).

Members noted that Grant Thornton anticipated providing an unqualified opinion in respect of the Pension Fund's financial statements.

It was **MOVED** by Councillor Peart, **SECONDED** by Councillor Brazil, and;

**RESOLVED** that the report be noted.

\* **9** **Internal Audit Progress Report**

The Committee considered the Report of the County Treasurer (CT/17/69) providing an update on issues identified as "improvement required" in the Annual Internal Audit Report.

Members acknowledged that progress had been made against the agreed recommendations, with an overall positive direction of travel, yet further progress was still required in a number of areas. It was therefore not possible to form new assurance opinions for individual audits; additional follow-up audit would be required in due course. The overall assurance opinion remained as previously reported in the Annual Audit Report 2016/17 as "significant assurance".

Members expressed concern about the lack of progress in terms of addressing issues relating to data security and residential / nursing commissioning arrangements. Officers advised that the data security issue did not represent a fundamental weakness, but it was being monitored closely and if the situation did not improve a report would be brought back to this Committee.

It was **MOVED** by Councillor Peart, **SECONDED** by Councillor Brazil, and;

**RESOLVED**

- (a) that an update on residential / nursing commissioning arrangements be included on the agenda for the next meeting of the Committee, and;
- (b) that the progress made by management to address weaknesses identified through the internal audit process be noted.

\* **10** **Statement of Accounts & Annual Governance Statement 2016/17**

The Committee considered the Report of the County Treasurer (CT/16/70) together with the Statement of Accounts booklet. The Report highlighted the key messages from the Statements of Accounts 2016/17 including, inter alia:

- the pension liability of £1,175 millions not representing an immediate call on the Authority's reserves and was a snap-shot valuation in time based on assumptions.
- Grant Thornton provided assurance to members that the estimate made sense 'within the context of many variables'.
- no new borrowing had taken place the year with capital expenditure due to be met from borrowing being financed from internal resources.

It was **MOVED** by Councillor Brennan, **SECONDED** by Councillor Peart, and;

**RESOLVED**

- (a) that the Letters of Management Representation for the Devon Pension Fund and the County Council be approved;

- (b) that the Statement of Accounts for 2016/17 be approved;
- (c) that the Pension Fund Statement of Accounts for 2016/17 be approved;
- (d) that the preparation of both the Statement of Accounts for the Pension Fund and County Council be approved on an going concern basis, and;
- (e) that it be noted that there are no significant events since the Audit Committee meeting on 30 June 2017 that would require an amendment to the Annual Governance Statement.

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**Corporate Risk Management Arrangements - Changes to the Management of Risk**

The Committee considered the Report of the County Treasurer (CT/17/65) providing an update on developments to the Corporate Risk Management arrangements and a summary of the key recommendations of the Internal Audit report, and the action being taken.

The County Treasurer advised that Internal Audit had identified Risk Management as having become a more marginal activity, rather than a necessary part of service planning to identify and manage potential risks. To address this, the risk management process would become more formal with an annual report being taken to each scrutiny committee.

It was **MOVED** by Councillor Peart, **SECONDED** by Councillor Brennan, and;

**RESOLVED** that the Audit Committee note the developments in the Corporate Risk Management arrangements.

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

The Meeting started at 2.15 pm and finished at 3.00 pm