

Phil Norrey
Chief Executive

To: The Chair and Members of the
Audit Committee

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

(See below)

Your ref :
Our ref :

Date : 19 July 2018
Please ask for : Dan Looker, 01392 382232

Email: dan.looker@devon.gov.uk

AUDIT COMMITTEE

Friday, 27th July, 2018

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

P NORREY
Chief Executive

AGENDA

PART I - OPEN COMMITTEE

- 1 Apologies for absence
- 2 Minutes (Pages 1 - 2)

Minutes of the meeting held on 16 May 2018, attached.

- 3 Items Requiring Urgent Attention

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

- 4 Audit Findings Report 2017/18

Report of the Council's External Auditors to follow.

- 5 Statement of Accounts & Annual Governance Statement 2017/18

Report of the County Treasurer to follow.

- 6 Top 10 Risk - Scrutiny Chairs Spotlight Review (Pages 3 - 6)

Report of the Scrutiny Chairs (CSO/18/26), attached.


7 Future Meetings

Please use link below for County Council Calendar of Meetings:

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

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

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Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Democratic Services Officer at the conclusion of the meeting for disposal.*

Membership
Councillors J Mathews (Chair), I Hall (Vice-Chair), J Berry, J Brazil, R Peart, A Saywell and Y Atkinson
Declaration of Interests
Members are reminded that they must declare any interest they may have in any item to be considered at this meeting, prior to any discussion taking place on that item.
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 Induction loop system available

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NB   Denotes bus stops

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First Aid

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

AUDIT COMMITTEE

16 May 2018

Present:-

Councillors J Mathews (Chair), I Hall (Vice-Chair), R Peart and A Saywell

Apologies:-

Councillors J Berry and J Brazil

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Minutes

RESOLVED that the Minutes of the meeting held on 28 March 2018 be signed as a correct record.

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Items Requiring Urgent Attention

There was no matter raised as a matter of urgency.

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Annual Governance Statement 2017/18

The Committee considered the Report of the Leadership Group (CSO/18/17) on the Annual Governance Statement which the Council was required to publish in accordance with CIPFA/SOLACE guidance and to comply with Regulation 6 of the Accounts and Audit (England) Regulations 2015.

The Statement confirmed that the governance arrangements provided a high level of assurance; that the arrangements continued to be fit for purpose and that the Council's governance structures reflected the core and sub-principles of the Governance Statement.

It was **MOVED** by Councillor Hall, **SECONDED** by Councillor Saywell and

RESOLVED that the Annual Governance Statement for 2017/18 be approved and the Chair be authorised to sign the Statement.

* 29

Annual Internal Audit Report 2017/18

The Committee received the Report of the County Treasurer (CT/18/44) on the performance of Devon Audit Partnership against the internal audit plans for 2017/18, concluding that internal audit was able to provide significant assurance on the adequacy and effectiveness of the Council's internal control framework.

The Members of the Committee raised the issues of cyber-security and of a Disclosure and Barring Service (DBS) check for Members.

It was **MOVED** by Councillor Saywell, **SECONDED** by Councillor Hall and

RESOLVED

(a) that the internal audit opinion that the Council's systems contain a satisfactory level of internal control be noted;

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- (b) that the satisfactory performance and achievements of Devon Audit Partnership during 2017/18 be noted;
- (c) that the Council's continuing commitment to the maintenance and enhancement of antifraud culture be endorsed;
- (d) that the Council's Monitoring Officer be liaised with to discuss a DBS check being introduced for Members;
- (e) that the issue of cyber-security be highlighted to the Cabinet Member for Organisational Development and Digital Transformation, Councillor Parsons;
- (f) that a follow up review be conducted in September 2018 on the progress of Audit against the identified risks.

* **30** **Risk Management Annual Report 2017/18**

The Committee considered the Report of the County Treasurer (CT/18/45) which sets out the Risk Management Policy and Strategy for 2017/18.

Members expressed concern that the data on the top 10 identified risks had not been systematically updated by management.

It was **MOVED** by Councillor Saywell, **SECONDED** by Councillor Peart and

RESOLVED

- (a) that the Committee notes the changes and updates to the risk management process as supported by Devon Audit Partnership;
- (b) that Members note the roles and responsibilities identified in the update report and the revised Risk Management Policy and Strategy;
- (c) that the Committee notes the current risk position for all risks;
- (d) that Members note the 10 risks currently ranked the highest;
- (e) that the relevant Scrutiny Committees be invited to review the latest position on the top 10 risks.

* **31** **External Audit Update**

The Committee received the Report of Grant Thornton outlining the progress made in delivering their responsibilities as the Council's external auditors.

It was **MOVED** by Councillor Saywell, **SECONDED** by Councillor Peart and

RESOLVED that the report and findings be noted.

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

The Meeting started at 2.15 pm and finished at 3.05 pm

Top 10 Risk – A Spotlight Review

Report of the Scrutiny Chairs

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

Recommendations:

- i. that the Committee supports members request to have access to the online central risk register.
- ii. that the Committee supports a masterclass for all members on risk and the risk register held on the morning before the 8 November 2018 Audit Committee. The Council's External Auditors Grant Thornton should be invited to contribute to the masterclass.

Background

At the 16 May 2018 Audit Committee members considered the [Risk Management Annual Report for 2017/18](#). The Committee expressed concern about the status of the top 10 identified risks and agreed to flag this matter up for further investigation. It was resolved that the Scrutiny Chairs hold a spotlight review to examine the latest position on the top 10 risks and report back to Audit / Scrutiny as appropriate.

The following members attended the spotlight review:

- Councillor Alistair Dewhirst (Chair)
- Councillor Sara Randall Johnson
- Councillor John Mathews (Chair, Audit Committee)

The following officers attended along with Tony Rose, Risk Management (Devon Audit Partnership) to discuss action being undertaken to mitigate their identified risks:

- Meg Booth, Chief Officer Highways Infrastructure, Development and Waste
- Mary Davis, County Treasurer
- Joe Deasy, Asset Management Group Manager
- Keri Storey, Head of Adult Care Operations and Health
- Matthew Thorpe, Senior Assistant County Treasurer

Findings

During discussion reference was made to the top 10 identified risks to the County Council shared across the following areas of the business:

Adult Social Care

- Senior Leadership Team review the Adult Social Care (ASC) risk register monthly.
- Most of the ASC risks have been on the risk register for some time and are managed on an ongoing basis. It is an ever-changing situation which officers need to anticipate and respond with timely and appropriate mitigation actions.
- Performance monitoring should link in with the risk register.
- Nursing care, personal care and County Council workforce capacity issues are the biggest areas of concern.
- Looking at risks in isolation from an ASC perspective is not helpful, as there needs to be joined up thinking in terms of integration with health. There could be consideration of joint risk registers and mitigation action plans.

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Highways

- Officers update the risk register every 6 months, but other risks are monitored formally every month. If an area of concern was to arise through a management meeting, the level of risk would be escalated accordingly.
- The risks on the register have been there for a long time, and are static in terms of c-class roads, highway safety and climate change. The risks cannot be currently changed or downgraded.
- In terms of the capacity to respond effectively to highway safety related issues it would be extremely helpful if hospital admissions and other health settings could provide statistics on where accidents are occurring, so this can be used alongside data on where people are making claims against the authority to establish patterns.
- Anything that the County Council trials in terms of transformational change is potentially a risk to the organisation.
- The Chair advised that scrutiny is aware of the risks relating to the highways infrastructure and work is underway to review / monitor these areas.

Finance

- Officers from Finance review the risk register every 6 months, although in reality risks are looked at much more often.
- The indicator *FIN41 – Brexit* is not about the impact of Brexit on Devon in a wider context but has a narrow financial focus. In the short / medium term Brexit will have a negative effect on the economy and funding will decrease. Brexit is likely to have a significant impact on the 2020/21 budget when a new funding regime begins with the possibility of a 1-year settlement.
- It is not clear if the Business Rates Retention Scheme pilot will continue into the next financial year. If it is pulled this will add to the further difficulties anticipated for the financial year 2020/21.
- The second biggest area of risk for the County Council in term of finance after Brexit is the pension fund. The next actuarial valuation of the fund is due in 2019 and its timing with Brexit could result in a low valuation.
- The third biggest area of risk for the County Treasurer relates to EU grants. Government has underwritten these until March 2019, and the County Council should be able to continue to access these.

Children's Social Care

Members considered how the County Council could be confident risk was being measured in a consistent way across the organisation given there were no risks to children on the list beyond the one indicator relating to transitions that ASC leads on. The Risk Management Lead for Devon Audit Partnership advised that his role should help to do this, however with 130 risks on the central register it takes time to bring parity across the system given the number of people involved.

Conclusion

Members agreed that these were important conversations relating to the County Council's approach to recognising, monitoring and mitigating against risk and felt reassured that there is challenge and support within the system.

A November masterclass would enable the wider membership to understand better the way risk is managed by the Authority, and explore the role of the Audit Committee and the scrutiny function in providing sufficient checks and balances.

Electoral Divisions: All
Local Government Act 1972

List of Background Papers

Contact for Enquiries: Dan Looker
Tel No: (01392) 382232

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

There are no equality issues associated with this report

Appendix 1 – Top 10 Risk - April 2018 (as presented to 16 May 2018 Audit Committee)

Area	Risk Title	Description	Inherent score	Current score	Risk Owner	Accountable Officer	Review Date	Summary Mitigating Actions
AC&H	KS26: Demand resulting from Transforming Care Partnerships	Demand resulting from Transforming Care Partnerships brings NHS funded Out of Area placements in hospitals to a Devon setting with the need for adult social care funded support	25: Very high	25: Very high	Keri Storey	Sarah Aggett	12 Dec 2017	Work to better understand the potential volumes and cost in 2018-19 and remainder of the MTFS period.
AC&H	KS22: Transitions	Capacity challenges and systems complexity in the transitions process results in poor experiences for vulnerable young people and financial consequences to the council	25: Very high	20: High	Keri Storey	Sarah Aggett	28 Nov 2017	<ul style="list-style-type: none"> Preparing for Adulthood Strategy, including implementation. Review of transitions model. Telephone reviews. Additional resources to support transitions process aimed at improving capacity challenge. Accommodation strategy for disability provision (longer term). Purposeful Systems work.
Finance	FIN41: BREXIT	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff.	24: Very high	20: High	Matthew Thorpe	Mary Davis	21 March 2018	<ul style="list-style-type: none"> Ongoing Monitoring of Official publications. Ongoing monitoring of the post referendum environment. Engagement with the LGA Human resources Support for
AC&H	TG31: NHS Reconfiguration	The pace and direction of travel of whole system changes in Devon fails to meet the needs of Devon's residents	25: Very high	20: High	Tim Golby	Jennie Stephens	23 Aug 2017	<ul style="list-style-type: none"> Joint Commissioning Activities Engagement with the STP RD&E Business Case Early Interventions with health Partners
AC&H	KS14: Deprivation of Liberties (DoLS) and Court of Protection (CoP)	The Council fails to meet its statutory obligations with regard to Deprivation of Liberty Safeguards (DoLS) and individuals are put at unacceptable risk	25: Very high	20: High	Sarah MacKereth	Jennie Stephens	07 Dec 2017	<ul style="list-style-type: none"> Prioritised to address both res/nursing/hospital and community deprivations. Ongoing review of performance at SLT. Law Commission review published 16 March 2017. Report provided to SLT outlining initial implications/proposed changes. Increase in Best Interest Assessors trained.
HIDW	HTM2: Lack of capacity or capability to respond effectively to highway safety related issues	Potential for fatal and severe accidents to citizens due to lack of effective and timely repair or replacement of highway assets. This could be brought about by deteriorating highway condition, inability to meet policy level of service, inadequate procedures or poor staff/contract performance.	24: Very high	20: High	Joe Deasy	Meg Booth	08 Jan 2018	<ul style="list-style-type: none"> Ongoing Highways Monitoring/Inspections Completion of Safety Repairs In year work programme flexibility Staff training and review of approaches.
HIDW	HTM3: Lack of capacity or capability to effectively respond to extreme weather events	Flooding and structural damage to the highway affecting citizens and property	24: Very high	20: High	Joe Deasy	Meg Booth	08 Jan 2018	<ul style="list-style-type: none"> Ongoing Highways Monitoring/Inspections. Winter Service and Emergency Plan. Delivery of Planned Works. Weather forecast monitoring.
HIDW	HTM1: Failure to maintain C class and unclassified roads effectively.	Deterioration of highway network due to insufficient planned and routine maintenance.	25: Very high	20: High	Joe Deasy	Meg Booth	08 Jan 2018	<ul style="list-style-type: none"> Use of varying material and treatment types. Ongoing Highway Monitoring. Completion of Safety repairs. Stakeholder Communication. Funding reviews.
AC&H	TG11: Market Capacity: Adult Social Care (Personal Care)	The council fails to meet its statutory market sufficiency requirement for personal care	30: Very high	20: High	Tim Golby	Ian Hobbs	28 Nov 2017	<ul style="list-style-type: none"> New Living Well at home Contract. Updated ASC Market Position Statement. Provider Engagement network. Contract Management. Provider Direct Engagement. Redesign of personal care procurement framework.
AC&H	KS9: Budget pressures and management	Demand for Adult Social Care exceeds financial provision impacting on better care fund usage and performance targets putting the Council at risk.	30: Very high	20: High	Keri Storey	Keri Storey	28 Nov 2017	<ul style="list-style-type: none"> ASC Demand Management Programme DPT Relationship Management Financial recovery Plan monitoring Increase in funding Disabilities transformation plan

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