

AUDIT COMMITTEE

27 September 2022

Present:-

Councillors R Scott (Chair), M Hartnell (Vice-Chair), F Biederman and I Roome

Apologies:-

Councillors J Berry

* **44** **Minutes**

RESOLVED that the Minutes of the meeting held on 7 June 2022 be signed as a correct record

* **45** **Items Requiring Urgent Attention**

There was no item received as a matter of urgency.

* **46** **External Audit Plan for Devon County Council**

The Committee received the Report by Grant Thornton of the External Audit Plan for Devon County Council 2021/22. The Report provided an overview of the planned scope and timing of the statutory audit of Devon County Council.

Grant Thornton had determined planning materiality to be £17.9 million for the Council which equated to 1.4% of the Council's gross expenditure in the prior year. The threshold below which uncorrected omissions or misstatements were considered 'clearly trivial' was set at £895,000.

Areas of significant weaknesses were identified under the risk assessment of the Council's Value for Money arrangements, namely:

- the Council's response to the January 2020 Ofsted inspection of Children's Social Care Services;
- financial pressures within Special Educational Needs and Disabilities (SEND); and
- financial pressures in delivering the 2022/23 budget.

* **47** **VFM extension**

The Committee noted the letter from Grant Thornton to the Chair of the Committee dated 27 September 2022 setting out why the Auditor's Annual

Report had had been delayed and to expect publication of that Report no later than 31 January 2023.

Members noted that the delay was as a result of issues with resourcing; the backlog following the Covid pandemic; and issues within the profession as a whole, which was impacting on all Authorities.

* **48** **Devon County Council and Devon Pension Fund Update**

The Committee noted the Report by Grant Thornton of the Audit Progress Report and Sector Update for Devon County Council and Devon Pension Fund 2021/22. The Report contained the following sections:

- Progress at September 2022
- Audit Deliverables
- Results of Interim Audit Work
- Sector Update.

It also included a summary of emerging national issues and developments that may be relevant to the Council; and a number of challenge questions in respect of the emerging issues.

Members questioned the weakness identified for journal entry controls and Officers explained the difference between the automatic and manual processes involved; and that it was the view of management that existing controls of journal entry were robust

Members were reassured of the robustness of budget monitoring controls in place.

* **49** **Internal Audit Update**

The Committee received the Report of the Director of Finance and Public Value (DF/22/89) of the Internal Audit Update Report for 2022/23, which provided the mid-year opinion of the Council's Internal Audit Service (Devon Audit Partnership) and described the progress against the internal audit plans for 2022/23 that were approved by this Committee in February 2022 and as subsequently revised.

Overall, based on work performed during 2022/23 to date and experience from the previous year's audit, the Head of Internal Audit's Opinion was of Reasonable Assurance on the adequacy and effectiveness of the internal control framework within the County Council.

Discussions points with Members and Officers included:

- The Prevention Concordat Commitment sign-up would be followed up and an update provided at the next meeting.

- Members' concern that the Adult Social Care Workforce Recruitment & Retention Fund audit had identified that of the £6.8m grant funding, only around 20% had been spent within the Council's terms and conditions.
- Direct Payments – weaknesses remained; and in Children's Services additional work was currently being undertaken focussing on an analysis of spend in line with Care Plans.
- The SEND deficit was forecast to continue to rise to approximately £120m by 31 March 2023 and discussions with the Department for Education were currently underway regarding safety valve interventions, including Government contribution, and a response was awaited. For Government not to act would leave local authorities with a huge financial burden.

* **50** **Devon County Council - Control Environment**

The Committee received the Report of the Director of Finance and Public Value (DF/22/84) setting out management's responses to the questions from Grant Thornton, Informing the audit risk assessment for Devon County Council and Devon Pension Fund 2021/22.

As part of their risk assessment procedures the auditors were required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud
- Laws and Regulations
- Related Parties
- Climate change and wider global issues
- Going Concern
- Accounting Estimates

* **51** **Risk Management Update**

The Committee received the Report of the Director of Finance and Public Value (DF/22/87) with attached the Risk Management Update Report, which set out the risk position of the Council, updates on changes to risk management arrangements during 2022/23.

The Update Report also confirmed the role of the Audit Committee as per the Council's Risk Management Policy, and further explored and summarised the existing risk position. Details of the most up to date risk position could be seen in the [Power BI Dashboard](#).

Members reviewed the most recent risk position for 2022/23 including notable changes and reviewed the updates to the risk management process as supported by Devon Audit Partnership.

Questions and discussions included:

- Officers would arrange Power BI training for interested Members.
- Members voiced grave concern at what they considered to be an under-estimated risk in Children's Services, and Officers assured Members they were supporting and working with the Service in their risk management, in addition to support from Ofsted and others.

* **52** **Counter Fraud Update**

The Committee noted the Report of the Director of Finance (DF/22/88) with attached Counter Fraud Update, which set out the Counter Fraud work being undertaken on behalf of and by the Council and supported its ongoing commitment as outlined in its Anti-Fraud Bribery and Corruption Policy and Strategy and Response Plan.

Work was continuing towards the creation of a Council-wide Fraud Risk Register and would be reported on at a future meeting.

Members commented that the current cost of living crisis could impact fraudulent activity.

NOTES:

1. *Minutes should always be read in association with any Reports for a complete record.*
2. *If the meeting has been webcast, it will be available to view on the [webcasting site](#) for up to 12 months from the date of the meeting*

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

The Meeting started at 2.15 pm and finished at 4.03 pm