

AUDIT COMMITTEE

29 November 2022

Present:-

Councillors R Scott (Chair), M Hartnell (Vice-Chair), J Berry and R Peart

Apologies:-

Councillors I Roome

* **53 Minutes**

RESOLVED that the Minutes of the meeting held on 27 September 2022 be signed as a correct record

* **54 Items Requiring Urgent Attention**

There was no item received as a matter of urgency.

* **55 Devon Pension Fund - Audit Findings**

The Committee received the Report of Grant Thornton on the Audit Findings for Devon Pension Fund, which set out the findings arising from the audit of the Fund's financial statements for 2021/22, with the items listed as outstanding in the Report having now been completed.

Two main areas identified in the Report in particular included the risk of Management override of controls, and Audit adjustments as set out at Appendix C.

Officers reassured the Committee of the robust control of journals, however, Members would like further discussion around the significant risk of management override of controls and what was being done to mitigate this risk.

* **56 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, including a summary of emerging national issues and developments that may be relevant to the Council.

It was noted that the 2020/21 Audit Opinion had been delayed pending forthcoming Government legislation regarding the valuation of infrastructure assets affecting a number of upper tier authorities.

The main significant risk highlighted was that of control of journals above £200,000 and ID issues within the Council and Pension Fund.

The 2021/22 Audit could not be concluded until the infrastructure assets issue had been resolved and it was hoped to produce Audit findings to the Committee in February.

* **57**

Internal Audit Update

The Committee reviewed and considered the Report of the Director of Finance and Public Value (DF/22/108) of the Internal Audit Update Report for 2022/23, which provided an update on the 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.

Appendix 1 to the Report provided a summary of audit reports and findings from September to November 2022/23, however, a full report would be provided at the end of year report.

Officers reported in particular on the further work in Children and Young People's Future on Direct Payments with a specific focus on the analysis of spend. Following a review, Devon Finance Services were planning to implement a new system offering a 'Virtual Wallet' to administer Direct Payments from April 2023, which would eliminate the ability to spend as freely as the current system and in turn reducing ineligible spend.

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:

- Restrictions on how and where the 'Virtual Wallet' could be used online with specific providers/services only, in line with the legislation on Direct Payments.
- The monitoring of duplicate payments where six previously unidentified duplicate payments were being recovered: Officers assured Members that appropriate monitoring checks were in place and that these particular duplicate payments would be specifically looked at.

Members requested:

- That further detail be provided by Counter Fraud on the theft and loss of IT equipment under the Investigations and Irregularities section.
- That Officers from the ICT service areas of Cyber Security Governance, Change Management and Project Management attend the next

Committee meeting to explain the delay in response leading to a Limited Assurance being given.

* 58

Statement of Accounts and Annual Governance Statement 2021/22

The Committee considered the Report of the Director of Finance (DF/22/103) on the Statement of Accounts and Annual Governance Statement 2021/22. The Report highlighted key messages from the Statement of Accounts 2021/22:

- Earmarked reserves (excluding schools and non-schools carry forwards) had reduced by a net £1.5 million to just under £136 million.
- The SEND element of the Dedicated Schools Grant year-end position was a shortfall of £37.5 million, combined with £49 million deficit from 2020/21 created a cumulative deficit of just over £86.5 million.
- The Authority had a negative Balance Sheet at 31 March 2022 which meant that liabilities were just over £14 million greater than its assets.
- No new borrowing had taken place this year with capital expenditure due to be met from borrowing financed from internal resources.
- During 2021/22 the value of Devon Pension Fund increased from just over £5 billion (March 2021) to just over £5.4 billion.

Due to impending legislation the Statement of Accounts for 2021/22 would need to be re-approved at the Committee meeting in February.

Officers reported that a response was still awaited from the Department for Education on the SEND safety valve intervention, due to end on 31 March 2023, with the Council pushing hard for an early response. Members wished to be kept updated on this in the future.

It was **MOVED** by Councillor Scott, **SECONDED** by Councillor Peart and
RESOLVED that

- (a) the Annual Governance Statement for 2021/22 be approved;
- (b) the Authority's Statement of Accounts for 2021/22 be approved; and
- (c) the Pension Fund Statement of Accounts for 2020/21 be approved.

* 59

Risk Management Update 2022/23

The Committee reviewed the Report of the Director of Finance and Public Value (DF22/109) on the Risk Management Update 2020/2021, which set out the risk position of the Council, updates on changes to risk management arrangements during 2022/23 and confirmed the role of the Committee as per the Council's Risk Management Policy.

The Report further explored and summarised the existing risk position via links to visual reporting of risks using the Power BI platform.

It was reported that further enhancements were to be developed within the Power BI platform, which would be available in the new year with Member training available.

* **60 Counter Fraud Update**

The Committee noted the Report of the Director of Finance and Public Value (DF/22/110) that set out the Counter Fraud work being undertaken on behalf of and by the Council which supported the Council's ongoing commitment as outlined in its Anti-Fraud Bribery and Corruption Policy/Strategy and Response Plan, as adopted last year.

Fraud was an ever-increasing risk to local authority budgets, the wider public purse in general and the local people that were represented. All indicators pointed towards fraud losses increasing and resources and funding to protect society against this form of criminality being reduced, or at least not keeping pace with the threat.

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 3.35 pm