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To: The Chair and Members
of the Audit Committee

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Date: 20 February 2023

Contact: Wendy Simpson, 01392 384383

Email: wendy.simpson@devon.gov.uk

AUDIT COMMITTEE

Tuesday, 28th February, 2023

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

Donna Manson
Chief Executive

A G E N D A

PART I - OPEN COMMITTEE

1 Apologies for absence

2 Minutes

Minutes of the meeting held on 29 November 2022 (previously circulated).

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 for Devon County Council (Pages 1 - 40)

Report of Grant Thornton, attached.

a Announcements

5 Statement of Accounts (Pages 41 - 72)

Report of the Director of Finance and Public Value (DF/23/26), attached.

6 Internal Audit Update (Pages 73 - 98)

Report of the Director of Finance and Public Value (DF/23/22), attached.

7 Draft Internal Audit Plan 2023/24 (Pages 99 - 112)

Report of the Director of Finance and Public Value (DF/23/23), attached.

8 Counter Fraud Update (Pages 113 - 122)

Report of the Director of Finance and Public Value (DF/23/25), attached.

9 Risk Management Update (Pages 123 - 146)

Report of the Director of Finance and Public Value (DF/23/24), attached.

10 Future Meetings

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Induction Loop available



The Audit Findings for Devon County Council

Year ended 31 March 2022

Devon County Council
February 2023
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**Your key Grant Thornton
team members are:**

Julie Masci

Key Audit Partner
T +44 (0)29 2034 7506
E Julie.Masci@uk.gt.com

Sam Harding

Senior Audit Manager
T +44 (0)117 305 7874
E Sam.G.Harding@uk.gt.com

Jacob Davies

In-charge Auditor
T +44 (0)117 305 7753
E Jacob.E.Davies@uk.gt.com

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit Committee.

Name : Julie Masci
For Grant Thornton UK LLP
Date : 16 February 2023

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 Council 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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Devon County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

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| Financial Statements | |
|--|--|
| <p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; andhave been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> | <p>Our audit work was completed remotely during August to November 2022. Our findings are summarised on pages 5 to 22. We have identified no adjustments to the financial statements that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement. Other audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>We have completed of our audit of the Council's financial statements with exception of the following:</p> <ul style="list-style-type: none">receipt of management representation letter;Assessment of post balance sheet events to the date of the opinion; andreview of the final set of financial statements. <p>We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified.</p> |

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was submitted to the Audit Committee. We expect to issue our Auditor's Annual Report by 31 May 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified three risks as follows:

- The Council's response to Ofsted's inspection of Children's Social Care Services which took place in January 2020. We will review the reports from Ofsted following monitoring visits in February and June 2022. The risk relates to weaknesses identified in the service provision in childrens services.
- Financial pressures within Special Educational Needs and Disabilities (SEND). Financial pressures within this area mean that the Council has reported an overspend of £37.7m relating to its Dedicated Schools Grant as at the end of 2021/22. The cumulative deficit stood at £86.5m as at 31 March 2022. There is a risk to the financial sustainability of the Council, from this growing pressure. In addition, there is a service delivery risk identified following an Ofsted SEND visit in June 2022. The Council continues to participate in discussions with the Department For Education (DFE) as part of the Safety Valve Intervention programme, these discussions have not yet resulted in a positive outcome with additional support being provided.
- Financial pressures in delivering the 2022/23 budget. In common with many other authorities, the current high inflation environment and cost of living crisis is placing significant strain on the Council's ability to deliver its planned 2022/23 outturn. In July 2022, the Council reported a projected overspend of £30 million against its budget with the potential for a further overspend of £10 million due to ongoing inflationary pressures. This had reduced to £7 million, reported in January 2023. This is made up of an underlying overspend of £33 million that is being reduced by £26 million of savings and income through the Financial Sustainability Programme. The Council is also supporting its budget by the use of reserves.

Our work is underway. Our opinion will be modified to reflect that significant weaknesses were identified in 2020/21. At the time of writing we have not yet concluded our value for money work in the current year and are unable to confirm whether these weaknesses have been addressed.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in April 2023.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. The audit progressed smoothly with good co operation from the Council's finance team. There are a small number of areas where we will work with officers to improve the efficiency of our audit. These relate to obtaining bank evidence to support transaction testing, obtaining initial data for the trial balance, due to personnel changes within the Council and receipt of evidence from a small number of service areas.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ("the Code"). Its contents have been discussed with management and are being presented to the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 27 September 2022.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 28 February 2023, as detailed in Appendix E. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

As highlighted on page 18 of our audit plan presented to the Audit Committee on 27 September 2022, during the course of the audit both your finance team and our audit team faced audit challenges again this year, partly as a result of remote access working arrangements i.e., remote accessing financial systems, video calling, verifying the completeness and accuracy of information provided remotely produced by the entity and access to key data from Council staff.

This together with the increased level of scrutiny required in response to regulatory requirements resulted in us having to carry out additional audit procedures, as summarised on page 37 to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 27 September 2022. We detail in the table below our determination of materiality for Devon County Council.

| Council Amount (£) Qualitative factors considered | | |
|---|------------|--|
| Materiality for the financial statements | 17,900,000 | This was set at 1.4% of the Council’s prior year gross expenditure. Materiality levels remain unchanged from those reported in the Audit Plan. |
| Performance materiality | 12,530,000 | This is 70% of headline materiality. |
| Trivial matters | 895,000 | This is 5% of headline materiality. |



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

| Risks identified in our Audit Plan | Commentary |
|--|--|
| Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. | <p>In response to this risk, we have:</p> <ul style="list-style-type: none"> - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. <p>In 2020/21, we reported that we had identified a significant control weakness regarding the processes in place for some journals with a value above £200k.</p> <p>Direct input journals in to the system that are in excess of this threshold require authorisation from a head accountant before the transaction can be processed. This is an automated feature of the system. This authorisation is required for each screen of 10 lines of transactions.</p> <p>For journals where there are multiple lines of data, the Council has implemented alternative controls. Instead of the head accountant approving each journal on the system (which could be many pages), advance approval by email of the journal is required. Such journals are then posted on to the ledger using a separate '200' journal ID and a separate report of these journals is provided to the relevant head accountant.</p> <p>As we previously reported, in our view there are a number of major weaknesses in this process:</p> <ol style="list-style-type: none"> 1. There is no documented check that the journal that was approved was processed as intended, which introduces a risk of fraudulent misreporting or error. 2. There is no documented control to ensure that all journals above £200k are actually approved prior to being processed. This provides the opportunity for the approval process to be bypassed. The journals are also approved by email, rather than as a function of the Council's finance system. 3. There is no control over the access to the '200' journal IDs which means that any member of the finance team can post journals on these codes. There is no clear audit trail as to who the poster of these journals is, which again introduces the risk of fraud. <p>As a result, we have assigned a higher risk to these journals and undertaken additional testing focussed on journals posted from these IDs.</p> <p>The Council has instigated additional assurance processes in this area, including a quarterly check of journals posted from the '200 ID's'. The report is run by the Head Accountant, Finance Strategy Group for review by service line head accountants, incorporating evidence of review. This is a manual control, rather than automated which continues to represent a risk.</p> <p>Our testing of journals did not identify any matters. We have however reported the process to support the authorisation of the '200' journals as a control issue on page 17.</p> <p>Our work in respect of accounting estimates and key judgements is set out on pages 13 to 16.</p> |

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Improper revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Devon County Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including Devon County Council, mean that all forms of fraud are seen as unacceptable.

We therefore do not consider this to be a significant risk for Devon County Council.

No changes to our assessment reported in the audit plan were made during the course of our audit.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Council re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from current value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2022 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We identified the valuation of land and buildings, particularly the assumptions used by the valuer in calculating the revaluations, as a significant risk.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.
- evaluated the competence, capabilities and objectivity of the valuation expert.
- written to the valuer to confirm the basis on which the valuation was carried out.
- evaluated the reasonableness of the key assumptions made by the valuer in determining the valuations.
- engaged our own valuation expert, Wilks Head and Eve, to provide commentary on:
 - the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and
 - the valuation methodology and approach, resulting assumptions adopted and any other relevant points.
- tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Our testing identified that 20 assets under construction completed and transferred to infrastructure during the year were not assigned a useful life. This resulted in depreciation not being charged. The amount of depreciation undercharged however is trivial. This does represent a control issue and has been reported on page 17.

We challenged the underlying assumptions used by the valuer in determining his valuations. For specialised assets, this involved agreeing floor areas to site plans, agreeing build costs to national indices, including locality factors, reviewing the obsolescence and other costs included in the valuation process. For non specialised assets we agreed valuations to rental income records and challenged yield values in relation to nationally published data.

Our audit findings are reported in the section on estimates and judgements on page 13.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1,179m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 0.5% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls.
- evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work.
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation.
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (using our auditor's expert) and performing any additional procedures suggested by our expert.
- obtaining assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our audit work has not identified any issues in respect of valuation of the pension fund liability.

2. Financial Statements - Significant risks

| Risks identified in our Audit Plan | Commentary |
|--|--|
| <p>Completeness of non-pay operating expenditure</p> <p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have rebutted this presumed risk for Devon County Council because:</p> <ul style="list-style-type: none">• expenditure is well controlled and the Fund has a strong control environment; <p>There is no incentive for management to mis-represent expenditure; and the Council has clear and transparent reporting of its financial plans and financial position to those charged with governance.</p> <p>We therefore do not consider this to be a significant risk for Devon County Council.</p> | <p>No changes to our assessment reported in the audit plan were made during the course of our audit.</p> |

2. Financial Statements - Other risks

Risks identified in our Audit Plan

Valuations of Infrastructure Assets

The CIPFA Code of Practice on Local Authority Accounting states that Infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment.

We identified a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.

Commentary

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

- 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 impairment 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.

We have been working with CIPFA and the English Government 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 are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by government. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and has issued further guidance in January 2023 in relation to useful economic lives (UEls).

We have completed the following work focusing on the Council's current year's infrastructure assets:

- Reviewed and challenged the arrangements that the Council has in place around impairment of infrastructure assets
- Evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UEls
- Evaluated the competence, capabilities and objectivity of any management expert relied upon
- Considered whether there has been any replacement of assets that have not been fully depreciated and evaluated the subsequent derecognition of the replaced assets.

Based on our work, we are satisfied that the Council has:

- correctly applied the SI and the requirements in the CIPFA Code update
- appropriately removed the gross book value and accumulated depreciation from its disclosures adding a new disclosure setting out opening net book value and any in-year movements
- not identified any prior period adjustments requiring disclosure in the accounts.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

| Significant judgement or estimate | Summary of management’s approach | Audit Comments | Assessment |
|--------------------------------------|--|---|------------|
| Land and Building valuations – £758m | <p>Other land and buildings comprises £675m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£83m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Norse Property Services Ltd to complete the valuation of properties as at 31 December 2021 on a five yearly cyclical basis, in order to further ensure that the current value of these assets is not materially different from the carrying value, the Council has undertakes additional annual valuations of its higher value assets. 81% of total assets were revalued during 2021/22.</p> <p>The methodology for valuing assets in the local authority context is determined by the Code and the requirements of guidance produced by the Royal Institute of Chartered Surveyors. The Council also engages independent, professionally qualified valuers to undertake the valuation of its assets.</p> <p>The use of professional valuers and the high percentage of assets revalued reduces the risk of management bias and estimation uncertainty. However, valuations can only be an estimate and as such are subject to inherent uncertainty. The Council has disclosed the potential impact of this uncertainty in note 5 to the accounts.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2021. Management has applied relevant national indices to determine whether there as been a material change in the total value of these properties. Management’s assessment of assets not revalued has identified no material change to the properties value.</p> <p>The total year end valuation of land and buildings was £758m, a net increase of £16m from 2020/21 (£742m).</p> | <p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none">assessed management’s expert to ensure they are suitably qualified and independentassessed the consistency of the estimate against national indices provided by our valuation expert.We agreed, on a sample basis, the underlying data used by valuer to supporting evidence e.g. floor plans and rental leasesassessed the adequacy of the disclosure of the estimate in the financial statements; andengaged an auditor expert to further challenge underlying assumptions and terms of engagements with the valuer. <p>As the valuation date for the majority of the assets is 31 December 2021, our testing assessed whether these valuations remained materially correct at the Council’s year end of 31 March 2022. We concurred with the Council’s view that they were not materially misstated. Our testing did identify that the assessment undertaken by management was at a higher level than we would expect. The indices used were not tailored to the specific asset types held by the Council. However we do note that the value of the Council’s asset base revalued during the year and that the majority of the asset base consists of specialised assets mitigates the risk of material misstatement.</p> <p>Our challenge of the assumptions used by the valuer identified that the obsolescence rates used as part of the valuation process were higher than industry standard, resulting in a lower value. Although we were satisfied with the valuers rationale, we consider these to be cautious.</p> | |

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Light Purple] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|--|---|--|------------|
| Net pension liability – £1,179m | <p>The Council's total net pension liability at 31 March 2022 is £1,179m (PY £1,304m) comprising the Devon County Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £205m net actuarial gain during 2021/22.</p> | <p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> assessed management's expert, Barnett Waddingham, to be competent, capable and objective; performed additional tests in relation to the actuary on contribution figures, benefits paid and investment returns to gain assurance over the 2021/22 roll forward calculation carried out by the actuary and have no issues to note; gained assurance over the reasonableness of the Council's share of Devon County Pension Fund pension assets; reviewed the adequacy of disclosure of the estimate in the draft financial statements; assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; Confirmed that unfunded liabilities had been appropriately treated; sought and received assurances from the auditor of the Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; and assessed the adequacy of disclosure of estimate in the financial statements. | |

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Audit Comments

Net pension liability – £1,179m

We used PwC as our auditors expert to assess the Council's actuary and the assumptions made by them as noted in the table below:

| Assumption | Actuary Value | PwC range | Assessment |
|--|---------------|---------------------------------------|------------|
| Discount rate | 2.6% | 2.55% to 2.6% | ● |
| Pension increase rate | 3.2% | 3.05%-3.45% | ● |
| Salary growth | 4.2% | 0.5% to 2.5% p.a. above CPI inflation | ● |
| Life expectancy – Males (Pensioners) | 22.7 years | 20.5 – 23.1 years | ● |
| Life expectancy – Males (Non-pensioners) | 24.0 years | 21.9 – 24.4 years | ● |
| Life expectancy – Females (Pensioners) | 24 years | 23.4-25.0 years | ● |
| Life expectancy – Females (Non-pensioners) | 25.4 years | 24.89 - 26.4 years | ● |




2. Financial Statements - key judgements and estimates

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|------------------------------------|---|---|------------|
| Minimum Revenue Provision - £13.8m | <p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £13.8m, a net decrease of £500k from 2020/21.</p> | <p>The Council's MRP policy was approved in February 2021 as part of the budget setting process. There have been no changes in the current year. We are satisfied that the Council has calculated MRP in line with statutory guidance.</p> <p>Government has consulted on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. Government will issue a full response to the consultation in due course.</p> | |
| Depreciation - £82m | <p>Depreciation is provided for on all property, plant and equipment assets over their expected useful economic lives (UEls).</p> <p>These UELs are set based on the Council's expectations for that type of asset (e.g. vehicles or IT equipment).</p> | <p>We identified that depreciation was not charged on a small number of assets transferred from assets under construction to operational during the year. This is contrary to the Council's depreciation policy, but the impact was trivial.</p> | |


Assessment


- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - Internal Control

| Assessment | Issue and risk | Recommendations |
|---|--|--|
|  | <p>Authorisation of journals</p> <p>As reported in the prior year and on page 7, we have identified a significant control weakness regarding the processes in place for all journals above £200k. We note that the Council has implemented additional manual controls in this area, although additional manual controls have been implemented, this remains as an area of significant risk.</p> | <p>We are aware that management has introduced further controls to address the weaknesses identified in our prior year audit. However, the manual nature of the control will continue to necessitate additional testing of these journals being required. We would recommend that management considers strengthening controls in this area as it designs and implements its new finance system.</p> <p>Management response</p> <p>The Council’s financial ledger is almost 30 years old and its functionality is limited. The Council has manual controls (outside the system) for the authorisation of journals to reduce the risk of journal error. There is a requirement for Head Accountant approval by e-mail before the dataset journal above £200,000 is processed and a requirement for Head Accountants to confirm periodically from a system report of processed journals that they have approved those journals. These controls are in addition to day to day budget monitoring.</p> <p>The Council is implementing a new financial system from 2024/25 which should address the limitations of the current system. However, management believes that, in the meantime, manual controls are adequate to reduce the risk of significant journal error.</p> |
|  | <p>Related Party Declarations</p> <p>We identified that a number of members interests annual declarations were not returned.</p> <p>There is a risk of interests not being recorded and reported appropriately.</p> | <p>The Council should ensure that all members return their related party declarations.</p> <p>Management response</p> <p>The Council’s Finance team sent out two reminders to members who had not responded to the original request for related party disclosures in the accounts. If declarations were still not returned then a review of the Register of Interests was undertaken for those members to ensure completeness of the disclosure.</p> |
|  | <p>Asset lives</p> <p>Our testing identified that 20 assets under construction completed and transferred to infrastructure during the year were not assigned a useful life. This resulted in depreciation not being charged.</p> <p>This results in depreciation being undercharged during the year.</p> | <p>Management should ensure that assets reclassified when brought into use are assigned a useful life to ensure that depreciation is appropriately charged.</p> <p>Management response</p> <p>The impact was to undercharge depreciation of just under £200,000 in 2021/22 and £45,000 in 2020/21, below the auditor’s triviality threshold. In future, in order to ensure that depreciation is appropriately charged, when assets are brought into use asset lives will be assigned. Finance will run a report to check for assets with a zero life. Where they are assets with a depreciable life (e.g. not land) then an appropriate asset life will be assigned.</p> |

Assessment

 Significant deficiency – risk of significant misstatement

 Deficiency – risk of inconsequential misstatement

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

| Issue | Commentary |
|---|---|
| Matters in relation to fraud | We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures. |
| Matters in relation to related parties | We are not aware of any related parties or related party transactions which have not been disclosed. |
| Matters in relation to laws and regulations | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| Written representations | A letter of representation will be requested from the Council. |

2. Financial Statements - other communication requirements



Page 19

| Issue | Commentary |
|---|--|
| Confirmation requests from third parties | We requested from management permission to send confirmation requests to the Council's bankers, investment managers and loan providers. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation. |
| Accounting practices | We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. |
| Audit evidence and explanations/ significant difficulties | <p>All information and explanations requested from management was provided.</p> <p>The Council is a large and complex organisation with a significant number of processes. We have worked closely with the Council's finance officers to streamline and support our audit process which has worked well to progress the audit effectively. One area where further work is required relates to obtaining relevant evidence to support payment and receipts through to the Council's bank account. We are continuing to work with officers to improve this process for the future.</p> |

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA [UK] 570).

| Issue | Commentary |
|---------------|--|
| Going concern | <p data-bbox="871 464 2051 603">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 619 2011 671">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 983" style="list-style-type: none"> • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p data-bbox="871 999 2051 1137">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1153 1973 1297" style="list-style-type: none"> • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. <p data-bbox="871 1313 2051 1335">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1351 2051 1445" style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |

2. Financial Statements - other responsibilities under the Code

| Issue | Commentary |
|---|---|
| Other information | <p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p> |
| Matters on which we report by exception | <p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weaknesses. <p>Have identified significant weaknesses in arrangements that are reported in our Auditors Annual Report..</p> |



2. Financial Statements - other responsibilities under the Code

| Issue | Commentary |
|---|---|
| Specified procedures for Whole of Government Accounts | We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council does not exceed the £2 billion threshold, no procedures are required. |
| Certification of the closure of the audit | We will delay the certification the closure of the 2021/22 audit of Devon County Council until our value for money work is complete. |

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor’s Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor’s Annual Report by May 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risks set out in the table below. Our work on these risks is underway and an update is set out below. A more detailed review of the arrangements will be reported in our Auditor’s Annual Report.

| Risk of significant weakness | Work performed to date |
|---|--|
| <p>Ofsted’s inspection of Children’s Social Care Services</p> <p>In January 2020, an Ofsted inspection of Children’s Social Care Services was undertaken. The Council was rated as inadequate. The inspection identified that there are serious failings in the services provided to children and the Council developed a Statement of Action in response to the issues raised.</p> <p>We will review the progress the Council has made against these actions and will also be cognisant of any future inspections or follow-up visits / reports from Ofsted.</p> | <p>We reviewed correspondence from Ofsted received following monitoring visits during the year. The result of the latest Ofsted visit in June 2022 reported that the although the Council has taken steps to address the weaknesses identified, such measures are at an early stage and their impact is limited.</p> <p>Ofsted concluded that children in need of support and/or protection do not yet receive a significantly better service than at the point of the last inspection. The local authority has not acted quickly enough to make the changes required and the pace of change remains too slow.</p> |
| <p>Financial pressures within Special Educational Needs and Disabilities (SEND)</p> <p>Financial pressures within this area mean that the Council has reported an overspend of £37.7m relating to its Dedicated Schools Grant as at the end of 2021/22. The cumulative deficit now stands at £86.5m.</p> <p>We will review the plans the Council has to reduce the annual expenditure in this area and, ultimately, to recover the cumulative overspend.</p> | <p>We reviewed the Council’s budget monitoring reports to month 8 reported to Cabinet in January 2023.</p> <p>The Council is reporting that the Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £40.6 million for 2022/23. The Council is currently in discussion with the Department for Education as part of the Safety Valve Intervention and these discussions remain ongoing.</p> <p>It is noted that local authorities are currently able to treat the overspend as a separate reserve which does not impact on the Council’s current level of reserves. This flexibility is due to end on 1 April 2023, but has been extended for a further three years.</p> |
| <p>Financial pressures in delivering the 2022/23 budget</p> <p>In common with many other authorities, the current high inflation environment and cost of living crisis is placing significant strain on the Council's ability to deliver its planned 2022/23 outturn. In July 2022, the Council reported a projected overspend of £30 million against its budget with the potential for a further overspend of £10 million due to ongoing inflationary pressures. The Council recognises that immediate action is necessary to balance the budget through the remainder of the year.</p> <p>We will review the Council’s plans to address the financial pressures within the current budget and as part of medium term financial planning.</p> | <p>We reviewed the Council’s budget monitoring reports to month 8 reported to Cabinet in January 2023.</p> <p>The Council is reporting that it estimates that budgets will overspend by £7 million, excluding the dedicated schools grant deficit. This is made up of an underlying overspend of £33 million that is being reduced by £26 million of Financial Sustainability Programme (FSP) proposed savings and income. The Council is also supporting its budget by the use of reserves. There is also a risk that inflationary pressures may result in increases to the forecast overspend. We note that the Council is taking urgent action to safeguard its financial sustainability and work is ongoing to identify services and projects in both revenue and capital that can be transformed, modernised, remodelled, funded differently, ceased, or postponed.</p> |

5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to 1 February, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

| Service | Fees £ | Threats identified | Safeguards |
|--|--------|--|---|
| Audit related | | | |
| Certification of Teachers Pension Return | 7,500 | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| | | Self review (because GT provides audit services) | To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. |
| Non audit related | | | |
| CFO Insights Subscription | 10,417 | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to 1 February 2023 as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk | Recommendations |
|------------|---|--|
| Page 28 | Journal authorisation As reported on page 7, we have identified a significant control weakness regarding the processes in place for all journals above £200k. We wrote to the Council seeking clarification over the arrangements in place and used this response to determine our approach to journals testing. As noted on page 5, our work in this area has not been completed. | The Council should introduce enhanced controls over the authorisation of its journals to ensure there is adequate Segregation of Duties and appropriate IT access controls. Management response The Council's financial ledger is almost 30 years old and its functionality is limited. The Council has manual controls (outside the system) for the authorisation of journals to reduce the risk of journal error. There is a requirement for Head Accountant approval by e-mail before the dataset journal above £200,000 is processed and a requirement for Head Accountants to confirm periodically from a system report of processed journals that they have approved those journals. These controls are in addition to day to day budget monitoring. The Council is implementing a new financial system from 2024/25 which should address the limitations of the current system. However, management believes that, in the meantime, manual controls are adequate to reduce the risk of significant journal error. |
| | Related Party Disclosures We identified that not all members interests annual declarations were returned. There is a risk of interests not being recorded and reported appropriately. | The Council should ensure that all members return their interests confirmations. Management response The Council's Finance team sent out two reminders to members who had not responded to the original request for related party disclosures in the accounts. If declarations were still not returned then a review of the Register of Interests was undertaken for those members to ensure completeness of the disclosure. |

A. Action plan – Audit of Financial Statements

| Assessment | Issue and risk | Recommendations |
|------------|---|---|
| | <p>Asset lives</p> <p>Our testing identified that 20 assets under construction completed and transferred to infrastructure during the year were not assigned a useful life. This resulted in depreciation not being charged.</p> <p>This results in depreciation being undercharged during the year.</p> | <p>Management should ensure that assets reclassified when brought into use are assigned a useful life to ensure that depreciation is appropriately charged.</p> <p>Management response</p> <p>The impact was to undercharge depreciation of just under £200,000 in 2021/22 and £45,000 in 2020/21, below the auditor’s triviality threshold. In future, in order to ensure that depreciation is appropriately charged, when assets are brought into use asset lives will be assigned. Finance will run a report to check for assets with a zero life. Where they are assets with a depreciable life (e.g. not land) then an appropriate asset life will be assigned.</p> |

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Devon County Council's 2020/21 financial statements, which resulted in 7 recommendations being reported in our 2020/21 Audit Findings report. We are pleased to report that management have implemented the majority of our recommendations. The outstanding recommendations relate to journal authorisation processes and the valuation date for the Council's revaluation exercise.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|---|--|
| ✓ | The Council should identify a named officer to coordinate the audit from the Council's perspective. This role should also include a high-level quality assurance element, ensuring that the evidence provided is appropriate. | We undertook detailed planning discussion with officers, learning from prior year experiences to facilitate our audit. Overall, the audit has progressed smoothly with only a small number of areas to consider for improvement in future years. |
| x | The valuation date for land and buildings is 31 December each year rather than as at the Council's year end. The Council should ask its valuer to provide valuations as at 31 March each year. | The Council undertakes an extensive revaluation programme each year and undertakes an exercise to ensure that assets not revalued are not held at a carrying value that is materially different from their current value. The Council responded to our recommendation last year to advise that the earlier reporting deadline did not give sufficient time for valuations to be completed to meet a 31 May draft accounts submission timeframe. The Council advised that this would be reconsidered should the reporting deadline be permanently extended. |
| ✓ | The bank reconciliation is one the key control accounts within a Local Authority. Our testing of the year-end bank reconciliation noted that there was a reconciling item of approximately £28m. Although such uncoded income is normal, this amount was higher than normal. The Council should ensure that any reconciling figures within its bank reconciliations are cleared promptly and that they are not allowed to build up. | The Council had only a trivial level of reconciling items at year end. |

Assessment

- ✓ Action completed
- x Not yet addressed

B. Follow up of prior year recommendations

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|---|--|
| ✓ | <p>The Council’s balance sheet contains a number of assets where there is a zero net book value.</p> <p>Review the expected useful economic lives of assets to ensure they reflect the actual position.</p> | We are satisfied that the Council’s processes is reasonable. |
| ✓ | <p>During our payroll testing we noted there was one leaver where the usual documentation was not available, although the Council have been able to demonstrate that all the appropriate information was entered by the line manager at the correct time and that the person was appropriately removed from the payroll.</p> <p>Remind staff of the need to ensure that all documentation should be retained within the payroll system and support this with training if appropriate.</p> | No instances were identified in our testing in the current year. |
| ✓ | <p>Our auditors’ expert reviewed the instructions to the valuer issued by the Council. RICS guidance recommends that the valuer supplements this with a formal ‘terms of engagement’ document.</p> <p>The Council should request a formal ‘terms of engagement’ document from its valuer in order to ensure that RICS guidance is complied with.</p> | A formal terms of engagement letter was issued by the valuer. |
| ✓ | <p>We identified a small number of issues regarding the operation of Purchase Orders.</p> | No similar issues were identified in the current year. |

- Assessment**
- ✓ Action completed
 - x Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 |
|---|--|--|---------------------------------------|
| Investments – reallocation of investments between categories reflecting the timing of maturity. The adjustment reallocates £15 million from long term to short term. This adjustment was identified by management shortly after the draft accounts were published. | nil | nil | nil |
| Overall impact | nil | nil | nil |

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission | Auditor recommendations | Adjusted? |
|--|--|-----------|
| Accounting policies - policies for immaterial account balances (p.43) | Heritage assets, intangible assets and inventory are all immaterial account balances for the Council, therefore accounting policies are not required, these policies should be excluded from the final version of the Statement of Accounts. | ✓ |
| Property, Plant and Equipment - measurement after recognition policy (p. 48) | Phrasing in the 'Measurement after recognition' policy related to school buildings may cause confusion, as it appears to indicate that two different measurement bases are used for schools. It should be made clear that current value is being estimated using the DRC approach, as in the 'Council offices' and other assets disclosure. | ✓ |
| Property, Plant and Equipment – major sources of estimation uncertainty disclosure (p. 58) | This disclosure contains a number of references to valuer raised market uncertainties, which are no longer relevant for the 21/22 financial statements. It also incorrectly states that EUV valuations are dependent on build costs, and does not specify that the rolling programme of revaluations every five years only applies to land and building assets, and not other asset classes. | ✓ |

C. Audit Adjustments

Misclassification and disclosure changes (continued)

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission | Auditor recommendations | Adjusted? |
|--|--|-----------|
| Audit fees – non audit services disclosure (p. 95) | Audit fee disclosure currently includes no reference to expenditure related to the CFO insights service, provided by Grant Thornton outside of our statutory audit service. | ✓ |
| Grant income – Grants credited to net cost of services disclosure (p. 101) | This disclosure is missing a ‘0’ for the prior year comparative for the ‘Additional Drug Treatment’ grant from Public Health England – this line also has an inconsistent font with the rest of the note. | ✓ |
| Dedicated Schools Grant – details of the deployment of DSG receivable (p. 102) | The presentation of this note has required slight amendment from the draft version of the financial statements, following correspondence between Devon County Council and the Department for Education. The audit team were made aware of this change at the commencement of the audit. | ✓ |
| Directors Remuneration (p95) | Testing identified that the 20.6% NHS pensions primary rate has been applied to both pensionable and non-pensionable pay when calculating pension contributions for Director of Public Health, where it should only have been applied to pensionable pay. This gives a £1,082 higher figure than expected, | ✓ |
| Other amendments | A small number of amendment were made to the financial statements and narrative report to correct typographical errors and improve the clarity of reporting. | ✓ |

C. Audit Adjustments



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Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|---|--|---|--|--|
| <p>CCLA Investment</p> <p>The Council had an investment of £10m at 31 March 2022 in a Pooled Property Fund for Local Authorities managed by an independent Fund Manager, CCLA.</p> <p>The Council has treated this as an equity investment whereas our view is that this is not an equity investment as participating Local Authorities have the right to get their investment back from the Fund Manager.</p> <p>The difference in treatment impacts on the way unrealised losses need to be accounted for.</p> | <p>Although this would affect the CIES, there is no impact on the General Fund as there is a mandatory statutory override requiring local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to be effective from financial year commencing 1 April 2018 for five years.</p> <p>This would also affect the disclosures relating to the Council's financial instruments.</p> <p>In 2021/22, there was an increase in value of £1.7m which is immaterial.</p> <p>This issue was reported in our prior year Audit Findings Report.</p> | | | <p>The investment is not material.</p> |

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|--|---|---|--|-----------------------------|
| Pension Fund Liability | | | | |
| In 2020/21, a revised actuarial report was obtained which led to an increase in the Council's Pension Fund liability of £41m. This was adjusted for but the Council did not adjust for the revenue implications of this. | £1,225 | None. | £1,225 | The amount is not material. |
| CCLA Investment | | | | |
| The Council had an investment of £10m at 31 March 2021 in a Pooled Property Fund for Local Authorities managed by an independent Fund Manager, CCLA. The Council has treated this as an equity investment whereas our view is that this is not an equity investment as participating Local Authorities have the right to get their investment back from the Fund Manager. The difference in treatment impacts on the way unrealised losses need to be accounted for. | Although this would affect the CIES, there is no impact on the General Fund as there is a mandatory statutory override requiring local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to be effective from financial year commencing 1 April 2018 for five years. This would also affect the disclosures relating to the Council's financial instruments. In 2020/21, there was a fall in value of £67k which is considered trivial. This issue has previously been reported to the Audit Committee – please see page 33. | | The investment is not material. | |



D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

| Audit fees | Proposed fee | Final fee |
|---|--------------|-----------|
| Council Audit – scale fee published by PSAA | £87,066 | £87,066 |
| Additional fee per the Audit Plan | £66,338 | £70,838 |
| Total audit fees (excluding VAT) | £153,404 | £157,904 |

Details of variations in final fees from the proposed fee per the audit plan

The fees are reconciled to the financial statements below.

fees per financial statements £153,404

- Additional fee, not included in the Audit Plan, relating to the additional time spent in obtaining samples including chasing responses and requesting appropriate evidence. £4,500
- total fees per above £157,904

| Non-audit fees for other services | Proposed fee | Final fee |
|--|--------------|-----------|
| Audit Related Services –Teachers Pension Certification | £7,500 | £7,500 |
| CFO Insights subscription | £10,417 | £10,417 |
| Total non-audit fees (excluding VAT) | £17,917 | £17,917 |

D. Audit fees – detailed analysis

| | |
|---|----------|
| | |
| Scale fee published by PSAA | £87,066 |
| <i>Ongoing increases to scale fee from 2019-20 and 2020-21</i> | |
| Raising the bar/regulatory factors | £3,125 |
| Enhanced audit procedures for Property, Plant and Equipment (including use of auditor valuation expert) | £7,438 |
| Enhanced audit procedures for Pensions | £1,375 |
| Increased audit requirements of revised ISAs | £8,900 |
| Additional work on Value for Money under new NAO code | £19,000 |
| <i>New issues for 2021/22</i> | |
| Additional review and quality arrangements for Major local authorities | £1,500 |
| Remote working | £10,000 |
| Additional local risks work relating to enhanced testing of journals and infrastructure assets | £15,000 |
| Additional work involved in managing and collating audit sample evidence | £4,500 |
| Total audit fees (excluding VAT) | £157,904 |

E. Audit opinion

We anticipate we will provide the Council with an unmodified audit report
The wording of our audit opinion is to follow.



Grant Thornton

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DF/23/26
Audit Committee
28th February 2023

Statement of Accounts 2020/21 and 2021/22 Report of the Director of Finance and Public Value

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

1. Recommendations – it is recommended that members:

- 1.1. Review the amendments as set out in this report and approve the Authority's Statement of Accounts for 2020/21;
- 1.2. Note the updated certification date and approve the Pension Fund Statement of Accounts for 2020/21;
- 1.3. Review the amendments as set out in this report and approve the Authority's Statement of Accounts for 2021/22;
- 1.4. Note the updated certification date and approve the Pension Fund Statement of Accounts for 2021/22; and
- 1.5. Review and approve the letters of representation for Devon County Council and its Pension Fund for both 2020/21 and 2021/22.

2. Background

- 2.1. The Audit Committee approved the 2020/21 Statement of Accounts for the Authority and its Pension Fund on 24th February 2022. The 2021/22 Statement of Accounts was approved on 29th November 2022.
- 2.2. The Authority's external auditors, Grant Thornton notified the Audit Committee that it expected legislation to be enacted regarding the accounting for infrastructure. Without the statutory instrument and an update to CIPFA's Code of Practice on Local Authority Accounting then the auditors could not issue an audit opinion on the Statements of Accounts for 2020/21 and 2021/22.
- 2.3. The statutory instrument was enacted in December and the Code has been updated. The Audit Committee decided that only the changed pages in the Statement of Accounts were to be distributed within this Audit Committee's agenda papers.

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- 2.4. Full copies of the Statements of Accounts for 2020/21 and 2021/22 (over 400 pages) are accessible electronically and published on the Council's website

<https://www.devon.gov.uk/finance-and-budget/audit-and-inspection/>

Two copies will be printed and available for Members at the Committee meeting.

3. Infrastructure

- 3.1. CIPFA has updated the Code to state that

“....local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. This temporary relief is applied from the 2021/22 Code up to and including the Code applicable to the 2024/25 financial year but may also apply to local authority financial statements before this period where the auditor's opinion on those statements has not been given...”

- 3.2. The Authority's notes for Property, Plant and Equipment for both 2020/21 and 2021/22 have been updated to show the required format (Appendices 1 and 2 respectively). There is no impact on the balance sheet for either year.

- 3.3. The associated accounting policy has been updated for both years and is shown in Appendix 3.

4. Events after the Reporting Period

- 4.1. The notes for Events after the Reporting Period have been updated for both sets of accounts. For the Statement of Accounts 2020/21 this now covers almost two years to 15th February 2023, the date the accounts were issued by the Director of Finance and Public Value before publication of the Audit Committee agenda papers. The updated notes are shown in Appendices 4 and 5.

5. Letters of Representation

- 5.1 In order to provide assurance to our auditors that they have received complete and accurate information the Audit Committee is asked to provide letters of representation for both the Authority and the Pension Fund for 2020/21 and 2021/22. The standard wording has been provided by the external auditors in Appendices 6, 7, 8 and 9.

6. Conclusion

- 6.1. The Committee is recommended to approve the Statements of Accounts and letters of representation, contained as attachments and links to this report.

Angie Sinclair
Director of Finance and Public Value
Electoral Divisions: All
Local Government Act 1972

Contact for Enquiries: Peter Lappin (peter.lappin@devon.gov.uk)
Tel No: (01392) 38 3342 Room 180

This Report has no specific equality or sustainability implications.
The legal requirements for the Council to comply with the Accounts and Audit Regulations are set out in the report.

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APPENDIX 1 – Revised note for Property, Plant and Equipment for 2020/21 Statement of Accounts

16. Property Plant and Equipment (PPE)

Total Property, Plant and Equipment

| | 31 March 2020 £000 | 31 March 2021 £000 |
|---|-----------------------------------|-----------------------------------|
| Infrastructure Assets | 735,746 | 788,702 |
| Other Property Plant and Equipment Assets | 769,491 | 777,534 |
| Total Property, Plant and Equipment Assets | 1,505,237 | 1,566,236 |

Movement on balances

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Under commercial accounting practices, depreciated historical cost would represent the amount of capital expenditure on infrastructure assets that has yet to be financed. For the Council, this is managed instead through the consolidated arrangements for reducing the Capital Financing Requirement through Minimum Revenue Provision.

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure asset when there is replacement expenditure is nil.

Infrastructure Assets

| 2019/20 £000 | | 2020/21 £000 |
|-------------------------|--|-------------------------|
| | Net Book Value (modified historical cost) | |
| 705,425 | Balance as at 1 April | 735,746 |
| 69,002 | Additions | 90,225 |
| (38,934) | Depreciation | (43,442) |
| 253 | Transferred from Assets Under Construction | 6,173 |
| 735,746 | Balance as at 31 March | 788,702 |

APPENDIX 1 – Revised note for Property, Plant and Equipment for 2020/21 Statement of Accounts

Other Property, Plant and Equipment

| Movements in 2020/21: | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|--|--|--|----------------------------------|--------------------------------|---|---|
| Cost or Valuation | | | | | | |
| At 1st April 2020 | 735,036 | 33,159 | 2,954 | 9,675 | 21,167 | 801,991 |
| Additions | 14,113 | 3,184 | 0 | 74 | 11,463 | 28,834 |
| Donations | 8,985 | | | | | 8,985 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (8,101) | | | (69) | | (8,170) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the provision of Services | (1,377) | | | (402) | | (1,779) |
| Derecognition - Disposals | (9,308) | (10,847) | | (1,146) | (23) | (21,324) |
| Assets reclassified (to)/from Held for Sale | (2,220) | | | 4,680 | | 2,460 |
| Other movements in cost or valuation | 5,240 | | | | (11,413) | (6,173) |
| At 31st March 2021 | 742,368 | 25,496 | 2,954 | 12,812 | 21,194 | 804,824 |
| Accumulated Depreciation and Impairment | | | | | | |
| 1st April 2020 | (12,483) | (20,017) | | | | (32,500) |
| Depreciation Charge | (35,690) | (3,852) | | | | (39,542) |
| Depreciation written out to the Revaluation Reserve | 32,573 | | | | | 32,573 |
| Depreciation written out to the Surplus/Deficit on the provision of services | 1,687 | | | | | 1,687 |
| Derecognition - Disposals | 441 | 10,051 | | | | 10,492 |
| At 31st March 2021 | (13,472) | (13,818) | 0 | 0 | 0 | (27,290) |
| Net Book Value | | | | | | |
| At 31st March 2021 | 728,896 | 11,678 | 2,954 | 12,812 | 21,194 | 777,534 |
| At 1st April 2020 | 722,553 | 13,142 | 2,954 | 9,675 | 21,167 | 769,491 |

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APPENDIX 1 – Revised note for Property, Plant and Equipment for 2020/21 Statement of Accounts

| Movements in 2019/20: | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|--|--|--|----------------------------------|--------------------------------|---|---|
| Cost or Valuation | | | | | | |
| At 1st April 2019 | 729,475 | 31,980 | 2,945 | 13,203 | 20,518 | 798,121 |
| Additions | 9,759 | 4,528 | 9 | 2,237 | 13,450 | 29,983 |
| Donations | | | | | | 0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 11,643 | | | 15,633 | | 27,276 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the provision of Services | 33 | | | (124) | | (91) |
| Derecognition - Disposals | (17,240) | (3,349) | | (3,810) | (10,279) | (34,678) |
| Assets reclassified (to)/from Held for Sale | (750) | | | (16,766) | | (17,516) |
| Other movements in cost or valuation | 2,116 | | | (698) | (2,522) | (1,104) |
| At 31st March 2020 | 735,036 | 33,159 | 2,954 | 9,675 | 21,167 | 801,991 |
| Accumulated Depreciation and Impairment | | | | | | |
| 1st April 2019 | (11,005) | (19,330) | | (68) | | (30,403) |
| Depreciation Charge | (30,955) | (3,841) | | | | (34,796) |
| Depreciation written out to the Revaluation Reserve | 25,843 | | | | | 25,843 |
| Depreciation written out to the Surplus/Deficit on the provision of services | 2,745 | | | | | 2,745 |
| Derecognition - Disposals | 889 | 3,154 | | 68 | | 4,111 |
| At 31st March 2020 | (12,483) | (20,017) | 0 | 0 | 0 | (32,500) |
| Net Book Value | | | | | | |
| At 31st March 2020 | 722,553 | 13,142 | 2,954 | 9,675 | 21,167 | 769,491 |
| At 1st April 2019 | 718,470 | 12,650 | 2,945 | 13,135 | 20,518 | 767,718 |

Revaluations

| | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Community Assets £000 | Surplus Assets £000 | Assets Under construction £000 | Total £000 |
|------------------------------------|--|--|----------------------------------|--------------------------------|---|-----------------------|
| Valued at Historical Cost: | 0 | 25,496 | 2,954 | 0 | 21,194 | 49,644 |
| Valued at Current Value in: | | | | | | |
| 2020/21 | 628,444 | 0 | 0 | 12,800 | 0 | 641,244 |
| 2019/20 | 34,232 | 0 | 0 | 12 | 0 | 34,244 |
| 2018/19 | 35,146 | 0 | 0 | 0 | 0 | 35,146 |
| 2017/18 | 32,214 | 0 | 0 | 0 | 0 | 32,214 |
| 2016/17 | 12,332 | 0 | 0 | 0 | 0 | 12,332 |
| Total | 742,368 | 25,496 | 2,954 | 12,812 | 21,194 | 804,824 |

16. Property Plant and Equipment (PPE)

Total Property, Plant and Equipment

| | 31 March 2021 £000 | 31 March 2022 £000 |
|---|-----------------------------------|-----------------------------------|
| Infrastructure Assets | 788,702 | 828,775 |
| Other Property Plant and Equipment Assets | 777,534 | 812,680 |
| Total Property, Plant and Equipment Assets | 1,566,236 | 1,641,455 |

Movement on balances

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Under commercial accounting practices, depreciated historical cost would represent the amount of capital expenditure on infrastructure assets that has yet to be financed. For the Council, this is managed instead through the consolidated arrangements for reducing the Capital Financing Requirement through Minimum Revenue Provision.

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure asset when there is replacement expenditure is nil.

Infrastructure Assets

| 2020/21 £000 | | 2021/22 £000 |
|-------------------------|--|-------------------------|
| | Net Book Value (modified historical cost) | |
| 735,746 | Balance as at 1 April | 788,702 |
| 90,225 | Additions | 83,539 |
| (43,442) | Depreciation | (46,364) |
| 6,173 | Transferred from Assets Under Construction | 2,898 |
| 788,702 | Balance as at 31 March | 828,775 |

Agenda Item 5

APPENDIX 2 Revised note for Property, Plant and Equipment for 2021/22 Statement of Accounts

Other Property, Plant and Equipment

| Movements in 2021/22: | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|--|--|--|----------------------------------|--------------------------------|---|---|
| Cost or Valuation | | | | | | |
| At 1st April 2021 | 742,368 | 25,496 | 2,954 | 12,812 | 21,194 | 804,824 |
| Additions | 7,667 | 3,515 | 0 | 227 | 26,750 | 38,159 |
| Donations | | | | | | 0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 21,255 | | | 1,145 | | 22,400 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the provision of Services | 1,343 | | | 141 | | 1,484 |
| Derecognition - Disposals | (18,570) | (7,300) | | | (470) | (26,340) |
| Assets reclassified (to)/from Held for Sale | (570) | | | (405) | | (975) |
| Other movements in cost or valuation | 4,836 | | | | (7,838) | (3,002) |
| At 31st March 2022 | 758,329 | 21,711 | 2,954 | 13,920 | 39,636 | 836,550 |
| Accumulated Depreciation and Impairment | | | | | | |
| 1st April 2021 | (13,472) | (13,818) | 0 | 0 | 0 | (27,290) |
| Depreciation Charge | (32,356) | (3,706) | | | | (36,062) |
| Depreciation written out to the Revaluation Reserve | 30,342 | | | | | 30,342 |
| Depreciation written out to the Surplus/Deficit on the provision of services | 1,375 | | | | | 1,375 |
| Derecognition - Disposals | 631 | 7,134 | | | | 7,765 |
| At 31st March 2022 | (13,480) | (10,390) | 0 | 0 | 0 | (23,870) |
| Net Book Value | | | | | | |
| At 31st March 2022 | 744,849 | 11,321 | 2,954 | 13,920 | 39,636 | 812,680 |
| At 1st April 2021 | 728,896 | 11,678 | 2,954 | 12,812 | 21,194 | 777,534 |

Agenda Item 5

APPENDIX 2 Revised note for Property, Plant and Equipment for 2021/22 Statement of Accounts

| Movements in 2020/21: | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|--|--|--|----------------------------------|--------------------------------|---|---|
| Cost or Valuation | | | | | | |
| At 1st April 2020 | 735,036 | 33,159 | 2,954 | 9,675 | 21,167 | 801,991 |
| Additions | 14,113 | 3,184 | 0 | 74 | 11,463 | 28,834 |
| Donations | 8,985 | | | | | 8,985 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (8,101) | | | (69) | | (8,170) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the provision of Services | (1,377) | | | (402) | | (1,779) |
| Derecognition - Disposals | (9,308) | (10,847) | | (1,146) | (23) | (21,324) |
| Assets reclassified (to)/from Held for Sale | (2,220) | | | 4,680 | | 2,460 |
| Other movements in cost or valuation | 5,240 | | | | (11,413) | (6,173) |
| At 31st March 2021 | 742,368 | 25,496 | 2,954 | 12,812 | 21,194 | 804,824 |
| Accumulated Depreciation and Impairment | | | | | | |
| 1st April 2020 | (12,483) | (20,017) | | | | (32,500) |
| Depreciation Charge | (35,690) | (3,852) | | | | (39,542) |
| Depreciation written out to the Revaluation Reserve | 32,573 | | | | | 32,573 |
| Depreciation written out to the Surplus/Deficit on the provision of services | 1,687 | | | | | 1,687 |
| Derecognition - Disposals | 441 | 10,051 | | | | 10,492 |
| At 31st March 2021 | (13,472) | (13,818) | 0 | 0 | 0 | (27,290) |
| Net Book Value | | | | | | |
| At 31st March 2021 | 728,896 | 11,678 | 2,954 | 12,812 | 21,194 | 777,534 |
| At 1st April 2020 | 722,553 | 13,142 | 2,954 | 9,675 | 21,167 | 769,491 |

Revaluations

| | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Community Assets £000 | Surplus Assets £000 | Assets Under construction £000 | Total £000 |
|------------------------------------|--|--|----------------------------------|--------------------------------|---|-----------------------|
| Valued at Historical Cost: | 0 | 21,711 | 2,954 | 0 | 39,636 | 64,301 |
| Valued at Current Value in: | | | | | | |
| 2021/22 | 616,519 | 0 | 0 | 13,920 | 0 | 630,439 |
| 2020/21 | 48,030 | 0 | 0 | 0 | 0 | 48,030 |
| 2019/20 | 27,829 | 0 | 0 | 0 | 0 | 27,829 |
| 2018/19 | 34,947 | 0 | 0 | 0 | 0 | 34,947 |
| 2017/18 | 31,004 | 0 | 0 | 0 | 0 | 31,004 |
| Total | 758,329 | 21,711 | 2,954 | 13,920 | 39,636 | 836,550 |

Agenda Item 5

APPENDIX 3 changes to accounting policies regarding infrastructure for the Statement of Accounts for both 2020/21 and 2021/22

2. Statement of Accounting Policies

Property, Plant and Equipment (PPE)

Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Other Property, plant and equipment are assets that have physical substance and are held for the provision of services or for administrative purposes for more than one financial year.

Recognition

Expenditure on the acquisition, creation, enhancement of PPE or replacement of components of the network is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

Measurement after recognition

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Depreciation

Depreciation is provided for on all property, plant and equipment assets, including parts of the infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged in the year of acquisition and is charged up to the point of disposal.

The following useful lives have been used in the calculation of depreciation:

Infrastructure lives

| Asset Type | Estimated Useful Life |
|---|------------------------------|
| Carriageways | 40 Years |
| Road Resurfacing | 5 to 15 Years |
| Footways and Cycle Tracks | 40 Years |
| Major Structural Renewal | 10 to 60 Years |
| Structures (bridges, tunnels and underpasses) | 120 Years |
| Street Lighting | 20 to 30 Years |
| Street Furniture | 40 Years |
| Traffic Management Systems | 10 to 15 Years |
| Road Safety | 40 Years |
| Flood Alleviation & Land Drainage | 30 Years |
| Major Inspections and Structural Reviews | 6 to 12 Years |

Agenda Item 5

APPENDIX 4 Events after the Reporting Period (Updated) – Statement of Accounts 2020/21

7. Events after the Reporting Period

The following events are non-adjusting events.

Academy Schools

Between 1st April 2021 and 15th February 2023, the following schools became Academies:

- Orchard Manor School
- Dartington Church of England Primary
- Morchard Bishop Church of England Primary School
- Ermington Primary School
- Manor Primary School
- Ugborough Primary School
- Lifton Community Primary School
- Beaford Community Primary & Nursery School
- Bolham Community Primary School
- Whitchurch Community Primary School
- Burlescombe Church of England Primary School
- Webber's Church of England Primary School
- King Edward VI Community College
- Berry Pomeroy Parochial Church of England Primary School
- St Sidwell's Church of England Primary School & Nursery

Academies are independent bodies and Devon County Council will cease to be the maintaining authority from the transfer date. All running costs and income relating to these schools will no longer be part of the Council's accounts. It is estimated that the Council's Gross Expenditure and Income will reduce by £14.5 million per annum.

Devon County will grant a 125-year lease to the Academies to occupy the site where the Authority owns the freehold. The building element of the lease will meet the definition of a finance lease and will no longer be included within the Council's Balance Sheet. The net book value at 31st March 2021 of land and buildings for schools becoming new academies after this reporting period is £43.9 million.

As of 15th February 2023, the following three schools have had applications to convert to academy status approved. These schools have a net book value at 31st March 2021 of land and buildings of £26.7 million:

- Sidmouth College
- Newtown Primary School
- Wynstream School

The proposed transfer dates are expected during the final quarter of 2022/23.

7. Events after the Reporting Period

The following events are non-adjusting events.

Academy Schools

Between 1st April 2022 and 15th February 2023, the following schools became Academies:

- Lifton Community Primary School
- Beaford Community Primary & Nursery School
- Bolham Community Primary School
- Whitchurch Community Primary School
- Burlescombe Church of England Primary School
- Webber's Church of England Primary School
- King Edward VI Community College
- Berry Pomeroy Parochial Church of England Primary School
- St Sidwell's Church of England Primary School & Nursery

Academies are independent bodies and Devon County Council will cease to be the maintaining authority from the transfer date. All running costs and income relating to these schools will no longer be part of the Council's accounts. It is estimated that the Council's Gross Expenditure and Income will reduce by £9 million per annum.

Devon County will grant a 125-year lease to the Academies to occupy the site where the Authority owns the freehold. The building element of the lease will meet the definition of a finance lease and will no longer be included within the Council's Balance Sheet. The net book value at 31st March 2022 of land and buildings for schools becoming new academies after this reporting period is £27.3 million.

As of 2nd February 2023, the following three schools have had applications to convert to academy status approved. These schools have a net book value at 31st March 2022 of land and buildings of £28.657 million:

- Sidmouth College
- Newtown Primary School
- Wynstream School

The proposed transfer dates are expected during the final quarter of 2022/23.

Devon County Council's Cabinet on 8th June 2022 approved the proposal to close Chittlehampton C of E Primary School, which happened on the 31 August 2022. The school's share of the Dedicated Schools Grant funding was just under £217,000.

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APPENDIX 6 – Letter of Representation to the external auditors for the Authority's Statement of Accounts 2020/21



Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Devon Finance Services
County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Tel: 01392 380711
email: angie.sinclair@devon.gov.uk

Date: 28th February 2023

Dear Sirs

Devon County Council: Financial Statements for the year ended 31st March 2021

This representation letter is provided in connection with the audit of the financial statements of Devon County Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
2. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
3. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the

event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of 'other land and buildings' (including useful economic lives), the Pension Fund and PFI liabilities and the fair values disclosures for the PFI agreements and other Council borrowing. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
6. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
7. Except as disclosed in the financial statements:
 - there are no unrecorded liabilities, actual or contingent
 - none of the assets of the Council has been assigned, pledged or mortgaged

Agenda Item 5

APPENDIX 6 – Letter of Representation to the external auditors for the Authority's Statement of Accounts 2020/21

- there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
9. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
10. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions. The financial statements are free of material misstatements, including omissions.
11. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
12. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
13. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
- the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going

concern basis will still provide a faithful representation of the items in the financial statements

- the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under the previous paragraph above; and
- the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

14. We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
- additional information that you have requested from us for the purpose of your audit; and
- access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

15. We have communicated to you all deficiencies in internal control of which management is aware.

16. All transactions have been recorded in the accounting records and are reflected in the financial statements.

17. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

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APPENDIX 6 – Letter of Representation to the external auditors for the Authority's Statement of Accounts 2020/21

18. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

19. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

20. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

21. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

22. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

23. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

24. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation will be minuted by the Council's Audit Committee at its meeting on 28th February 2023.

Yours faithfully

Name
Position Chair of the Audit Committee
Date 28th February 2023

Name
Position Director of Finance & Public Value
Date 28th February 2023

To be Signed on behalf of the Council

Agenda Item 5

APPENDIX 7 – Letter of Representation to the external auditors for the Pension Fund's Statement of Accounts 2020/21



Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Devon Finance Services
County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Tel: 01392 380711
email: angie.sinclair@devon.gov.uk

Date: 28th February 2023

Dear Sirs

**Devon Pension Fund:
Financial Statements for the year ended 31st March 2021**

This representation letter is provided in connection with the audit of the financial statements of Devon Pension Fund for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
2. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
3. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements

of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the actuarial present value of the funded obligations and the valuation of Level 3 investments. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
6. Except as disclosed in the financial statements:
 - there are no unrecorded liabilities, actual or contingent
 - none of the assets of the Fund has been assigned, pledged or mortgaged
 - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
8. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
9. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these

Agenda Item 5

APPENDIX 7 – Letter of Representation to the external auditors for the Pension Fund's Statement of Accounts 2020/21

misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

10. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
11. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
12. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under the previous paragraph above; and
 - the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

13. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of your audit; and

- access to persons within the Fund via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
14. We have communicated to you all deficiencies in internal control of which management is aware.
15. All transactions have been recorded in the accounting records and are reflected in the financial statements.
16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
17. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
18. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
19. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
20. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

Agenda Item 5

APPENDIX 7 – Letter of Representation to the external auditors for the Pension Fund's Statement of Accounts 2020/21

21. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

22. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

23. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation will be minuted by Devon County Council's Audit Committee at its meeting on 28th February 2023.

Yours faithfully

| | |
|----------|--------------------------------|
| Name | |
| Position | Chair of the Audit Committee |
| Date | 28 th February 2023 |

| | |
|----------|------------------------------------|
| Name | |
| Position | Director of Finance & Public Value |
| Date | 28 th February 2023 |

To be Signed on behalf of the Fund



Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Devon Finance Services
County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Tel: 01392 380711
email: angie.sinclair@devon.gov.uk

Date: 28th February 2023

Dear Sirs

Devon County Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Devon County Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
2. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
3. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and the net defined benefit pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code

Agenda Item 5

APPENDIX 8 - Letter of Representation to the external auditors for the Authority's Statement of Accounts 2021/22

and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

6. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
7. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
9. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
10. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
11. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
12. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
13. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
14. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to

be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.
- d. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

15. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

16. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

17. We have communicated to you all deficiencies in internal control of which management is aware.

18. All transactions have been recorded in the accounting records and are reflected in the financial statements.

19. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

20. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

- d. management;
- e. employees who have significant roles in internal control; or
- f. others where the fraud could have a material effect on the financial statements.

21. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

22. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

23. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

24. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Agenda Item 5

APPENDIX 8 - Letter of Representation to the external auditors for the Authority's Statement of Accounts 2021/22

Annual Governance Statement

25. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

26. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation will be minuted by the Council's Audit Committee at its meeting on 28 February 2023.

Yours faithfully

Name:

Position: Director of Finance & Public Value

28th February 2023

Name:

Position: Chair of the Audit Committee

28th February 2023

To be Signed on behalf of the Council



Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Devon Finance Services
County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Tel: 01392 380711
email: angie.sinclair@devon.gov.uk

Date: 28th February 2023

Dear Sirs

Devon Pension Fund
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Devon Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
2. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
3. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our

Agenda Item 5

APPENDIX 9 - Letter of Representation to the external auditors for the Pension Fund's Statement of Accounts 2021/22

responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

6. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Fund has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
8. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
9. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
10. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
11. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
12. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
13. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :
 - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- 14. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.
- 15. We have communicated to you all deficiencies in internal control of which management is aware.
- 16. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 17. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 18. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- 19. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- 20. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- 21. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- 22. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- 23. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- 24. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Agenda Item 5

APPENDIX 9 - Letter of Representation to the external auditors for the Pension Fund's Statement of Accounts 2021/22

Approval

The approval of this letter of representation will be minuted by the Fund's Audit Committee at its meeting on 28 February 2023.

Yours faithfully

Name:

Position: Chair of the Audit Committee

Date: 28th February 2023

Name:

Position: Director of Finance and Public Value

Date: 28th February 2023

To be signed on behalf of the Fund

INTERNAL AUDIT UPDATE REPORT FOR 2022/23

Report of the Director of Finance

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

Recommendations:

That the Committee reviews and considers:

- i. that members review and consider the performance of Devon Audit Partnership during the year.
- ii. that members review and consider the outcomes of the work completed.

The key objective of Internal Audit is to provide assurance to Members, Leadership Group and the Director of Finance (as the Council's "section 151 responsible officer"), on the adequacy and security of those systems on which the County Council relies for its internal control, both financial and management.

The attached report provides an update on the opinion of the Council's Internal Audit Service (Devon Audit Partnership) and describes the progress against the internal audit plans for 2022/23 that were approved by the Audit Committee in February 2022.

This work and the continuing contribution of Devon Audit Partnership to both risk management and anti-fraud arrangements within the Council, lead to an opinion that the Council continues to have an effective framework of control which provides reasonable assurance regarding the effective, efficient and economic achievement of its objectives.

The Committee can take assurance from these findings.

Angie Sinclair

Electoral Divisions: All
Local Government Act 1972

List of Background Papers

Contact for Enquiries: Tony Rose
Tel No: (01392) 382437 Larkbeare House

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

There are no equality issues associated with this report.

Internal Audit

Audit Committee In-Year Monitoring Report 2022/2023

Page 75
Devon County Council

**February 2023
Official**

Tony Rose
Head of Devon Audit Partnership

Jo McCormick
Deputy Head of Devon Audit Partnership

Hannah Hellier
Senior Assurance Manager

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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, North Devon, Torridge, South Hams and West Devon councils. We aim to be recognised as a high-quality assurance service provider 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. 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](mailto:tony.d.rose@devon.gov.uk)

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the Government Security Classifications. 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.

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.

Introduction

This report provides a summary of the performance against the Internal Audit plan to date for the 2022/23 financial year, highlighting the key areas of work undertaken and summarising our main findings and recommendations aimed at improving controls where our work has been finalised.

The key objectives of the Devon Audit Partnership (DAP) have been to provide assurance to Devon County Council on the adequacy, security and effectiveness of the systems and controls operating across the Council and to provide advice and assurance to managers and staff.

The Internal Audit plan for 2022/23 was presented to, and approved by, the Audit Committee in February 2022. The following report and appendices set out the position to end of January 2023.

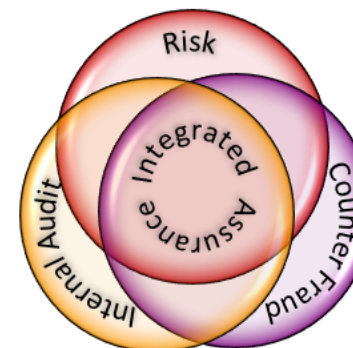
The Public Sector Internal Audit Standards require the Head of Internal Audit to prepare a report providing an opinion at the end of each year that can be used by the organisation to inform its governance statement, this report provides a position statement on the progress towards that.

The level of risk associated with each of the areas in Appendix 1 has been determined either from the Local Authority's Risk Register (LARR), or the Audit Needs Assessment (ANA) carried out at the planning phase. Where the audit was undertaken at the request of the client it has not been risk assessed. Assurance and recommendations should be considered in light of these risk levels and the impact this has on achievement of corporate / service goals.

Expectations of the Audit Committee from this report

Members are requested to consider: -

- The opinion statement within this report.
- The completion of audit work against the plan.
- The scope and opportunity of audit to complete the audit work.
 - Any audit findings provided.
 - The overall performance and customer satisfaction on audit delivery.



In review of these the Audit Committee are required to consider the assurance provided alongside that of Corporate Risk Management and satisfy themselves from this assurance that the internal control framework continues to be maintained at an adequate level to mitigate risks and inform the Executive for governance requirements.

Tony Rose
Head of Devon Audit Partnership

Audit Assurance Statement

Overall, based on work performed during 22/23 to date and our experience from the previous year's audit, the Head of Internal Audit's Opinion is of **"Reasonable Assurance"** on the adequacy and effectiveness of the internal control framework within the County Council

Where weaknesses have been identified management have agreed these findings and have either agreed the recommendations or accepted the associated risks.

Where management actions have been agreed, as appropriate we shall undertake follow up work to ensure that the identified risks have been mitigated.

Leadership have been provided with details of Internal Audit's opinion on each audit review carried out in 2022/23.

All audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review.

If significant weaknesses have been identified in specific areas, these will need to be considered by the Council in preparing its Annual Governance Statement for the Statement of Accounts for 2022/23.

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems including 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. Core financial and administrative systems were reviewed by Internal Audit.

Risk Management

Risk Management process at strategic and operational levels remain in place. The production of a DCC Strategic Plan allows the new and existing risks to be directly linked to the achievement of the core objectives.

Governance Arrangements

Governance arrangements have been considered in all our audits but with opportunities to improve consistency or alignment to business need. We will continue to review the improvements to governance and control arrangements in 2022/23.

Performance Management

Performance is subject to monitoring at management level.

| | | | |
|------------------------------|--|--------------------------|--|
| Substantial Assurance | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. | Limited Assurance | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. |
| Reasonable Assurance | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. | No Assurance | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited. |

Adaptive, e6e Prioritised Risk Areas Plan 67

Adaptive Plan – areas of review (priorities)

Corporate and Strategic

- Health Inequalities
- Climate Change, Risk vs Opportunity – How embedded is this within the decision-making process and business as usual?
- Budget Monitoring – Financial Pressures
- Core Systems Replacement – Finest – CareFirst 6
- External Audit – Relationships/Processes
- Client Financial Services – Financial Assessments
- Data sharing – Dashboard
- Court of Protection - Pop-Up Cards
- Banking Review - Process
- HR – Workforce – temp recruitment, succession planning, Safeguarding – Covid-19

Adult Care and Health

- Home is Best
- Supported Living Tender
- Care Home Fee Model
- Effective Replacement Care
- Pandemic Response
- Care Provider Failure – Lessons Learnt
- ASC Systems Programme
- OT and SW Recruitment
- Developing Disability Practice
- Liberty Protection Safeguards

Children's Services

- Ofsted/Improvement Plans
- Education Support Services
- Education – Academies & LA Statutory Duties
- SEND – Recovery Plans
- Insufficient capacity of the High Needs Block to meet demand
- MASH IT System

- Public Health Nursing – Insufficient Staffing Capacity
- Challenges in Recruitment
- Public Health Nursing
- Safeguarding
- Transitions

Public Health

- Covid-19 – cross service strategy and engagement, BCP
- Population Health Management – trusted advisor
 - Prevention.
 - Support
 - Response
- Embedding Mental Health into Corporate Strategies

Economy, Communities, Planning

- Communities
 - Migration & Resettlement
 - Food Insecurity
 - Domestic Abuse
- Economy:
 - Roundswell Enterprise Centre – The Node
 - Animal Disease Emergency/Cont Plans
 - External Funding – Community Renewal Funds
- Transport:
 - Sustainable Urban Drainage
 - SEN Transport

Highways, Infrastructure Development & Waste

- Street Lighting System
 - UAT Advice
 - System Review
- Highways Contract
 - KPI's
 - Financial Control/Schedule of Rates
 - Financial Reconciliation
- Tree Management System – Ash Dieback

Digital Transformation & Business Support

- BCP and Disaster Recovery
- ICT – Cyber Security (Focus Governance Arrangements)
- ICT – Scomis (Education) – Business/Service Continuity
- ICT – Project Management
- ICT – Data Storage
- ICT Change Management
- ICT – Partnership Working – Engagement with ICT380
- ICT – Incident & Problem Management
- GDPR/Data Protection Compliance

Progress Against Plan

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more responsive to changing risks, in turn maximising resource focus to clients' needs as and when needed – *Agile Auditing*. This principle looks set to continue and has several benefits with ever changing priority and related risks. Key benefits provide for:

- Reduction in non-productive resource planning - pandemic circumstances required significant plan changes.
 - Improved opportunity to keep plan aligned to current risks within Service Areas and as a whole for the Authority.
 - More effective and timely pre-audit engagement with Service Leads.
 - Greater and more regular discussion with client leads – supporting current risk and work priorities.
 - The current trend for more flexible audit plans – agile auditing.
- Experience that plans change regularly.
- Changes in external risk drivers are more easily picked up in audit assurance needs.

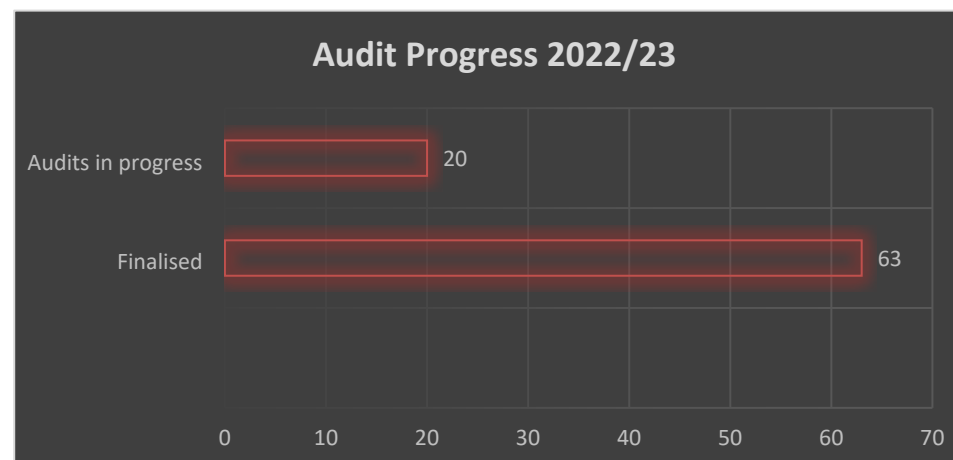
Our audit plans are always built around the Risks identified through Risk Management, audit needs and perceptions of current issues and in discussion with client management. The audit resource delivery envelope has been set to provide opportunity for greater depth of coverage and further extension of counter fraud work.

In 2021/22 the approach was changed to scope, schedule and resource plans throughout the year with Service Leads in an agile way incorporating risk changes as necessary. This was effective and this approach is continuing in 2022/23. Resource allocation will be decided based on need at this time.

We endeavour to ensure that sufficient coverage across the Council is maintained to ensure that we can provide an inclusive end of year annual assurance opinion.

This report shows a progress summary to date (as at 31/01/2023). It shows the number of audits completed so far during 22/23 financial year and audits

currently in progress to be finished by the end of the financial year.



Value Added

We know that it is important that the internal audit services seek to "add value" whenever it can. We obtained feedback from those audited during the year to date who considered we were able to add value by:

- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Linking across Risk, Counter Fraud and Audit to respond to issues that occur.

Summary Audit Results

Integrated Adults Social Care

There are a number of reviews underway in this area. We have been asked to provide on-going audit engagement for the Community Services programme in providing challenge and advice regarding the effective management of the programme risks. In addition, we have recently undertaken a non-assurance piece of work in relation to Managing Care Provider Failure looking back at lessons learnt. We are also undertaking a follow up of Direct Payments.

Public Health, Communities & Prosperity

We are currently discussing with management a piece of work around Migration and Resettlement, with the focus being on Homes for Ukraine. This work is currently underway and will be reported at the next meeting.

Children and Young People's Futures

There are a number of reviews underway in this area. A piece of work on Transitions which spans both IASC and CYPD. This is reviewing the current processes and procedures in place when a person transitions into adulthood to assess the impact on the individual and the financial implications to the Council. We have also been requested to undertake work on Children's Services use of iTrent to compliance with Council wide protocols. Finally, we are concluding our work on Adopt South West and the Direct Payments Follow Up.

Key Financial Systems

The majority of our work in this area is now complete with only the Fixed Assets audit to be finalised. Since our last report we have completed work on Debtors / Debt Recovery where Limited Assurance has been provided. We plan to review this system again earlier in 23/24 in order to review the high risk issues we identified and provide a further update on progress. We have also completed our work on the Main Accounting System and Income Collection both of which were given Reasonable Assurance, along with Treasury Management and Payroll where both received Substantial Assurance.

Transformation, Performance & Resources

Since the last meeting we have finalised our work on ICT Cyber Security Governance. Change Management and Project Management remain at draft awaiting management responses. All three of these reviews received limited assurance and therefore further work is planned for 23/24. We continue to work with the client to progress these reviews as tighter controls are required in all areas to ensure key risks are mitigated.

We have concluded our work on Data Protection and Data Storage Follow Up both of which were given Limited Assurance.

Climate Change, Environment & Transport

We have concluded our work on the Highways Contract KPIs – Phase 2 where we have given substantial assurance. This audit looked at the set of new KPIs which had been introduced following the extension to the contract.

There are a number of others reviews underway in this area for Highways; Winter 2021/22 Reconciliation, Financial Control / Pay Mechanism and Exeter ERF Annual Reconciliation Payment.

Finance & Public Value

We are continuing to undertake on-going work reviewing spend on Venue Hire, Car Hire and Credit Card usage.

We are currently providing advice on the Finest Replacement Project which will be on-going through to implementation.

Appendix 1 of this report details the assurance opinions for individual audits, for which definitions of the assurance opinion ratings are in Appendix 2.

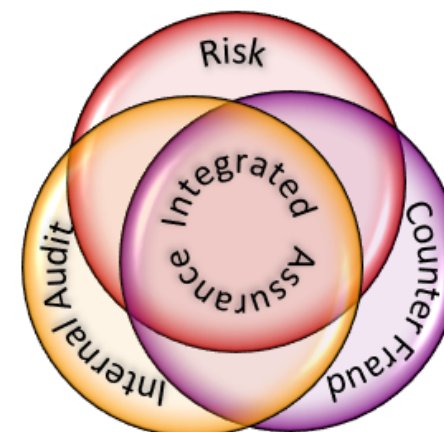
Investigations and Irregularities

To date during 2022/23 financial year Devon Audit Partnership was made aware of 50 irregularities across the Council. Analysis of the types of investigation and the number undertaken is shown in the following table.

| Fraud / Irregularity Summary | | |
|------------------------------|-----------------|---|
| Case classification | Number of cases | Summary Details |
| Theft / Loss of IT equipment | 20 | These cases mainly relate to loss or potential theft of mobile phones/laptops. |
| Tenders & Contracts | 1 | Claim of discrimination following a procurement process which was not upheld. |
| Financial Irregularities | 1 | This case related to a suspected benefit fraud that is currently under investigation. |
| Employee Conduct | 2 | A current investigation into the procurement process is currently underway. A further investigation into employee conduct as part of a wider police investigation. |
| Blue Badge Misuse | 50 | Customer Services record instances where Blue Badge have been misused, these are passed to DAP and recorded. DAP Fraud team review and investigate where appropriate. |

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Further detail of the DAP Counter Fraud activity can be found in the Counter Fraud Update Report Provided separately by DAP.



Customer Value

Public Sector Internal Audit Standards (PSIAS)

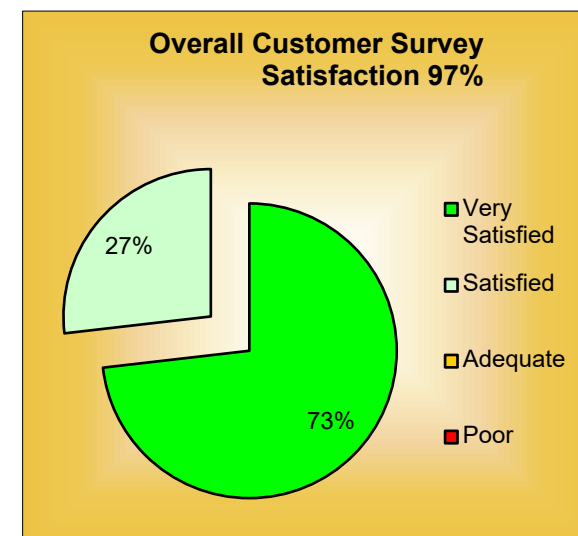
Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Our internal audit charter was approved by senior management and the Audit Committee in February 2022. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

Quality Assessment - Through external assessment December 2021 'DAP is continuing to operate 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.



Customer Service Excellence

DAP maintains accreditation by G4S Assessment Services of the CSE standard during the year. We have had some very complimentary feedback of where our team have been able to add value to the Council these may be found upon our [webpage](#). The chart on the right of this page summarises the customer satisfaction results received to date during 2022/23.

Inherent Limitations

The opinions contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Appendix 1 - Summary of audit reports and findings from December 2022 to February 2023 (since last Audit Committee meeting)

Integrated Adult Social Care

| Risk Area / Audit Entity | Audit Report | |
|--------------------------|---|---|
| | Assurance opinion | Residual Risk / Audit Comment |
| Pandemic Response | Advisory piece of work Status: Draft | <p>A 'lessons learned' exercise was carried out after the second wave from which an action plan was derived to help inform responses to any subsequent waves or future pandemics. To help take this forward, Devon Audit Partnership facilitated a session with management to gain their views on what went well, what did not go so well and what learning can be taken forward. There were robust conversations held during the session and although it was felt that the response from Devon was good, there were areas where it was felt it could have been better. The main area to consider going forward is ensuring there is an appropriate and up to date response plan in place, which is reviewed regularly with the key elements of the plan tested. Other areas where it was considered learning could be taken forward was around staffing and ensuring there is appropriate support for staff during and after the event.</p> <p>We would like to add that it was evident that staff went 'above and beyond' during this period of unknown to do their utmost for the residents of Devon. Decisions were made under extreme pressure and in very short timeframes to help protect the people of Devon and staff who were working in these situations should be proud of the work they have carried out and achieved.</p> |

The following audit reviews are in progress:

- Community Services
- Developing Disability Practice
- Managing Care Provider Failure
- Direct Payments Follow Up

Public Health, Communities & Prosperity

| Risk Area / Audit Entity | Audit Report | |
|--|-----------------------------|--|
| | Assurance opinion | Residual Risk / Audit Comment |
| Active Devon – New Code for Sports Governance – Compliance | Reasonable Assurance | The self-assessment completed by Active Devon suggested that they fully meet the requirements of the new Code of Sports Governance. The audit review supports the outcome assessed and have found Active Devon to meet the new Code requirements. |
| | Status - Final | Active Devon was found to have a clear and appropriate governance structure, led by a properly constituted Board which is collectively responsible for the long-term success of the organisation and exclusively vested with the power to lead it. Active Devon are aware of its ethnicity and wider diversity profile, and knowledge, and skills gaps in their current Board membership, and are actively addressing this through a targeted recruitment campaign, which together with the drafting of a Diversity and Inclusion Action Plan, demonstrates that they are working actively to promote diversity and inclusion, to enable effective decisions that further the organisation's goals and best serve their communities, stakeholders, and wider UK society. |

The following audit review is in progress:

- Migration and Resettlement

Children and Young People's Futures

| Risk Area / Audit Entity | Audit Report | |
|--------------------------|-------------------|-------------------------------|
| | Assurance opinion | Residual Risk / Audit Comment |

The following audit reviews are in progress:

- Adopt South West
- Transitions
- Children's Services use of iTrent
- Direct Payments Follow Up

We have continued to provide advice and support on the Care First Replacement Project.

| Key Financial Systems | | |
|--------------------------|--|---|
| Risk Area / Audit Entity | Audit Report | |
| | Assurance opinion | Residual Risk / Audit Comment |
| Debtors / Debt Recovery | Limited Assurance Status - Final | <p>ASH, the Debt Recovery System is not working / functioning as expected at present. It is understood that the current problems mostly relate to the daily connection between ASH and FINEST. This means that debt recovery status and actions is challenging to monitor, and its effectiveness limited. This increases the risk of outstanding debt not being recovered promptly. It is noted that the Revenue & Payments team have been liaising with Scomis/DCC ICT regarding the matter, but there have been problems with the issues not being escalated to the third-party supplier.</p> <p>At the time of our review the Outstanding Debt levels were within the target set by management. However further development of KPI's should be considered in order to improve the monitoring of performance against the expected terms of payment/collection.</p> <p>Several previously agreed management actions to improve the control framework have not progressed as expected since the previous audit.</p> |
| Main Accounting System | Reasonable Assurance Status - Final | <p>The control framework for the main accounting system (FINEST) remains generally sound and effectively operated by skilled staff.</p> <p>There are some areas where consideration of additional measures would enhance the existing control framework and observations have been made accordingly, for consideration and response by management.</p> <p>This year, bank reconciliations have been included as part of the MAS audit, rather than as a separate audit, and continue to be undertaken regularly with sound processes in place.</p> <p>Progress has been made since the last audit regarding the process for identifying and deactivating FINEST accounts for DCC leavers and inactive users. However, this area could be strengthened further to include checks on employees who have changed roles within DCC and may not require the same level of FINEST access.</p> |
| Income Collection | Reasonable Assurance Status - Final | <p>We can confirm that there is generally an appropriate control framework in place for ensuring income is being correctly receipted and recorded to the accounting system using the CIVICA income system and FINEST.</p> <p>There are system user account controls in place however, as reported last year, the system administrators continue to not be able to provide definitive confirmation of which officers have administrator access/privileges.</p> <p>As reported previously we have confirmed that there remains a high value of unallocated income transactions being posted to the FINEST suspense account. We note that the Revenue and Payment team have further progressed attempting to educate and work with accountants and service areas to improve processes with the intention of reducing significant amounts of income remaining unallocated. At present there is no documented policy / procedure with regard to the management of unallocated income.</p> |

Key Financial Systems

| Risk Area / Audit Entity | Audit Report | |
|--------------------------|---|--|
| | Assurance opinion | Residual Risk / Audit Comment |
| Treasury Management | Substantial Assurance Status - Final | <p>The Treasury Management system continues to show a robust control framework. It is effective and implemented by a small, yet experienced, team.</p> <p>There is a Treasury Management strategy, alongside policies and procedures, in place which are in line with the CIPFA code of practice. Investments are made within the limits outlined in the strategy, with adequate documentation to support the investment. There is a good record of investments made, with them being identifiable on Logotech, statements, and FINEST. Reconciliations are completed for both the principle and the interest monthly, with any imbalances being investigated promptly.</p> <p>Our review of the Treasury Management system concluded that there are effective measures in place to safeguard the Council's money when investments are being made.</p> |
| Payroll | Substantial Assurance Status - Final | <p>The control framework for the payroll function remains generally sound and we consider the key risks associated with the service to be managed effectively and operated by skilled staff. Management have also demonstrated a sound awareness of the Counter Fraud Policy and the potential risks to the payroll system.</p> <p>Whilst access to the system is adequately controlled, current password complexities are not fully in-line with the National Cyber Security Centre (NCSC) guidance. We do acknowledge that further controls are being introduced in early 2023 which would meet NCSC's recommended standards.</p> <p>The HR recruitment module for DCC corporate employees has decreased the need for Payroll intervention in respect of starters, however DCC schools (not included within the recruitment module) still require manual input from the Payroll team. There remains a risk that new starter forms, which are accessed externally for DCC schools, could be submitted inappropriately.</p> <p>Observations from previous audits have been considered and some management actions have been applied to mitigate or accept the risks. There are areas where additional measures could enhance the existing control framework, and observations have been made accordingly for consideration and response from management.</p> |

The following audit review is currently in progress:

- Fixed Assets

Transformation, Performance & Resources

| Risk Area / Audit Entity | Audit Report | |
|---------------------------------|--|---|
| | Assurance opinion | Residual Risk / Audit Comment |
| ICT – Cyber Security Governance | Limited Assurance Status: Final | <p>Cyber Security awareness by staff is part of the Digital and Technology Service Strategy. The D&TS Strategy sets out the intention/plan to keep all infrastructure and software up to date and secure. This supports the strategic goals of the DCC Strategic Plan of being more resilient.</p> <p>DCC has not fully established an "Information Security Management System", a formal regime or structured approach to cyber security and resilience, which guides both its activities and expenditure. The lack of a formal structured approach increases the risk of Cyber Security risks not being effectively managed.</p> <p>Key areas where improvements in the governance arrangements should be made;</p> <ul style="list-style-type: none"> • There is a lack of established and documented policy and processes in place to support effective Cyber Security decision making. • Cyber Security roles and responsibilities have not been fully assigned, for example to the Strategic Leadership Team (SLT). • We have found there to be limited reporting mechanisms in place to appropriately report on the Cyber Security status of the organisation. • We also note that there are some areas where policies, with regard to the NCSC 10 Steps, could be further developed. • There is no documented/established policy/process/mechanism for approving an acceptable Cyber Security appetite or how identified risks will be managed. • The Reporting of Cyber Security risks is limited. All Cyber Security risks are not currently routinely reported to SLT/the Board. • There isn't currently a Cyber Security Risk Register that identifies all Cyber Security risks. |
| ICT Change Management | Limited Assurance Status: Draft – Management Actions not received | <p>We identified a significant number of areas where, based on the sample we reviewed, improvements to the level of compliance with the expected internal guidelines/policy should be made. The internal guidelines/policy and MyScomis generally provide the framework and opportunity, if complied with, to reduce the risks associated with making changes.</p> <p>Some of the key areas of non-compliance or limited documented evidence includes;</p> <ul style="list-style-type: none"> • Changes are not being linked to Problems and Incidents in MyScomis as would be expected. • Test Plans were found to be either not completed or were limited. A lack of an appropriately rigorous test plan is essential in minimising the risk of an unsuccessful change. |

| | | |
|---|--|--|
| | | <ul style="list-style-type: none"> • The status of changes not being updated promptly. • Within our sample there were a number (2 of 11) of changes where they had been treated/processed as “Emergency Changes” rather than as “Non-Standard” changes as they should have been as per the guidelines/policy. Therefore, these changes are not recorded as being approved by CAB or TAB as they should have been. • Additionally, we identified 16 changes categorised as an Emergency Change logged in MyScomis for 21/22. None of these was linked to a Major Incident as is stated should be the case in the guidelines. • For approximately 70% of our sample the change was not linked to a Configuration Item (CI) where such a link would be expected. • Implementation plans were found to be generally lacking in sufficient detail. • For approximately 70% of our sample there was no entry on the Communications tab regarding a communications plan. |
| ICT – Project Management Page 90 | Limited Assurance Status: Draft – Management Actions not received | <p>There are established governance arrangements and a control framework in place. However, there are significant areas where improvements to the governance arrangements and supporting processes and procedures can be made to provide greater control and reduce the risk of unsuccessful project delivery and the associated benefits.</p> <p>It is noted that the Project Management Office, along with ICT colleagues, are working to improve aspects of the control framework. Current activity includes:</p> <ul style="list-style-type: none"> • Developing documentation regarding roles and responsibilities of different project roles. • Internal discussions regarding challenges being faced with projects/project management. The issues being discussed internally have become apparent or have been raised in discussions with Officers during our audit review/work. • Initial steps taken with regard to improving resource management – system to identify Business as Usual (BAU) commitments of operational teams in order to identify availability for project work. • Have a Project Management software solution (PM3) which is currently a work in progress with regard to establishing the use of it. <p>One of the key factors in designing an effectively managed approach, to support business and digital and technology changes, is that there isn’t a “one size fits all”. There is need for Digital Transformation/ICT to be supported by appropriate governance and control framework in running major change programmes, projects, work packages (streams) as part of wider business change programmes and to work in agile ways to respond quickly and work in innovative ways. DCC is an organisation, like many, where change is constant and certain and where Digital Transformation/ ICT need to respond with a level of consistency but without having a one size fits all approach.</p> |

DCC Data Protection 22-23

Limited Assurance**Status – Final**

The Data Protection Officer has been in post for six years and has a wealth of knowledge, experience and qualifications to support their role. The DPO effectively maintains their own awareness of emerging data protection issues through activities such as participating in a local information sharing network with other DPO's. Observations have been made,, regarding business continuity risks as the DPO does not have a deputy. Based on discussions with the DPO, resourcing issues within the Data Protection and Information Security team remain challenging and observations have been made regarding the DPO's ability to discharge all the duties of their role effectively due to insufficient resourcing.

Positively,

- There is an effective system in place for logging, recording and monitoring data breaches, or 'Information Security Incidents'. Trend identification and analysis is reported on formally on at least a bi-monthly basis to the SIRO.
- There is an extensive library of privacy notices in place for different service areas, as well as an overarching corporate privacy notice.

There is a Security Incident Management Policy and Security Incident Management Procedure published on the intranet for all staff to access, however both of these documents are out of date and require updating and aligning as a priority.

Our review has identified a number of areas where improvements to the current control framework are required.

It is a requirement of Data Protection legislation that an organisation should understand and document the data that it holds; the Information Commissioners Office expects organisations to meet this requirement by way of maintaining an Information Asset Register and has published a range of guidance on what a register should include. The Council does not currently have an up-to-date Information Asset Register and the updating of this register in line with the ICO's expectations should be treated as a high priority.

There are also further significant weaknesses regarding the governance arrangements. Including for example;

- There is no Data Protection risk register.
- There is no coherent Data Protection work plan or strategy for the Council.
- There are limited reporting mechanisms in place to effectively report on the Data Protection status of the organisation.

The following audit reviews are currently in progress:

- Patch Management
- Shadow IT

Climate Change, Environment & Transport

| Risk Area / Audit Entity | Audit Report | |
|----------------------------------|------------------------------|---|
| | Assurance opinion | Residual Risk / Audit Comment |
| Highways Contract KPIs – Phase 2 | Substantial Assurance | <p>Following the extension to the Term Maintenance Contract a working group was established to develop a suite of KPIs that will be used to vary (up or down) the fee paid to Milestone. The purpose of the KPIs is to drive quality and improved operational practice with the fee variation used as a mechanism to help drive the right behaviours. Not all KPIs will have an impact on the fee variation.</p> <p>This working group continues to meet on a weekly basis and work collaboratively to ensure that the measures introduced to monitor the contractor's performance remain appropriate. The output from this working group is that a suit of 29 KPIs have or will be introduced with 13 of these going live from April 2022. For a KPI to go live, it has been agreed between both the Council and Milestone that 12 months' worth of performance baseline data is required. As data is collected for the remaining KPIs, this is included within the performance reporting for information only. As these are new measures, this will ensure that the information needed to monitor these is relevant and accurate.</p> |

The following audit reviews are currently in progress:

- Highways Contract – Winter 2021/22 Reconciliation
- Highways Contract – Financial Control / Pay Mechanism
- Waste – Exeter ERF Annual Reconciliation Payment

Finance & Public Value

| Risk Area / Audit Entity | Audit Report | |
|--------------------------|-------------------|-------------------------------|
| | Assurance opinion | Residual Risk / Audit Comment |

Since December 2022 we have continued to provide advice on risk and controls for the Finest System Replacement.

1. FINEST System Replacement

We are continuing to provide on-going work on Venue Hire Spend, Car Hire Spend and Credit Care usage in line with the requirement set out in the Eight-Point Plan.

Grant Claims Certified Since December 2022

| Grant Name | Audit Report | |
|----------------------------------|--------------------------|--|
| | Grant Certification | Audit Comment – if applicable |
| Supported Families Programme Nov | Certified with Amendment | Significant & Sustained Progress: Potential claim 59; Tested 7; Failed 1: Claim made 58 families = £46,400 |

Appendix 2 - Definitions

Definitions of Audit Assurance Opinion Levels

| Assurance | Definition |
|-----------------------|--|
| 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. |
| Reasonable Assurance | There are generally sound systems 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. |
| 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 are inadequate to effectively manage risk to the achievement of strategic and operational objectives. |

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Definition of Recommendation Priority

| | |
|-------------|--|
| High | A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met. |
| Medium | Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks. |
| Low | Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit. |
| Opportunity | A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment. |

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. 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. 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

Direction of Travel Indicators

| Indicator | Definitions |
|---|---|
|  | No Progress has been made. The action plan is not being progressed at this time; actions remain outstanding. |
|  | Progress has been made but further work is required. The action plan is being progressed though some actions are outside of agreed timescales or have stalled. |
|  | Good Progress has/is being made. Good Progress has continued. |

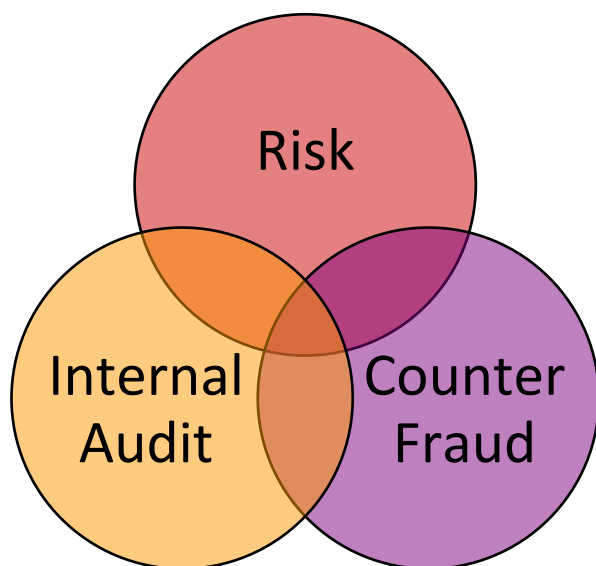
Appendix 3 – Audit Authority

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Our Vision

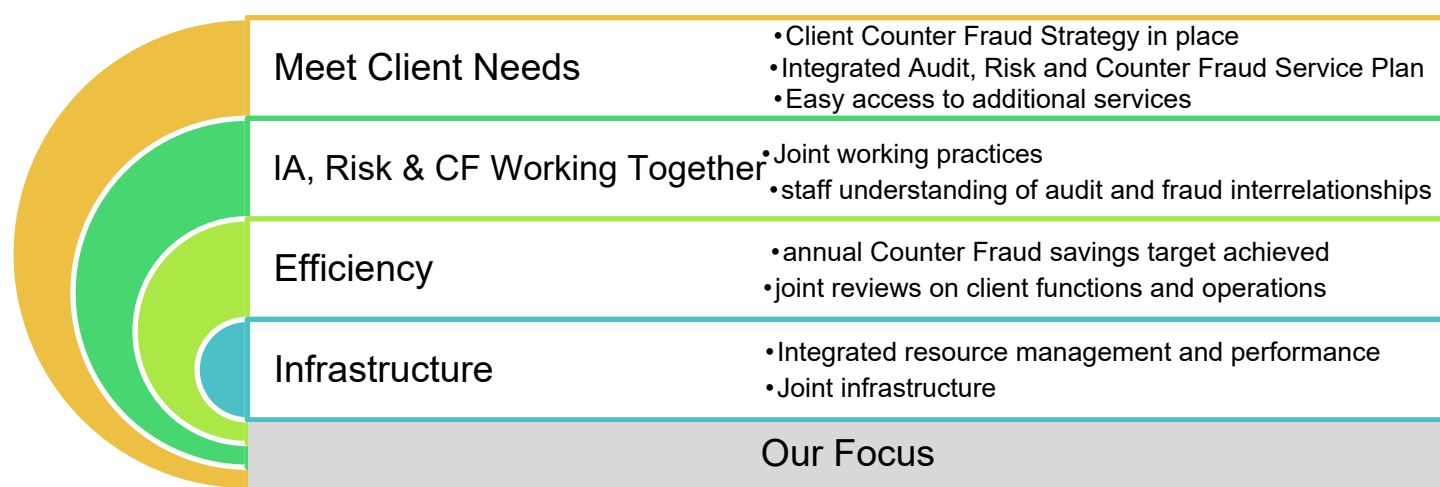
To be a leading provider of internal audit, counter fraud, risk management and other assurance services to public and not-for-profit organisations in the South West and beyond.



Operational delivery

- CFT to co-ordinate / undertake irregularities work coming through the audit plan
- Potential irregularities are triaged to fraud or audit for review
- Proactive fraud work e.g. NFI, developing delivery plan at client level
- Investigation work to be completed jointly (where appropriate) to progress possible fraud review and strengthen internal control frameworks
- Audit scoping to include counter fraud input
- Three-way liaison confirming risk and control
- Integrated reporting to be delivered on a case basis

Our Goals



Client Services

Counter Fraud Strategy with each client

Regular client liaison Mtgs.

POC access to additional integrated services

CF Service plan with each client for both pro-active and re-active services

Joint Partner CF work e.g. SPD

Client training on Fraud Awareness

IA, Risk & CF Working Together

Joint Working Practices

Joint scoping of audit and Irregs

CF Risk Assessment Review - CIFAS

Joint IA, Risk & CF plan

Pro-active **Prevention** work

Pro-active **Detection** work

Effective **Investigation**

NFI work co-ordinated by CFT

Efficiency

Savings Plan £55k by year three

Restructure of PCC Team work plan (releasing resources)

Joint working practices

Single Point of Contact for Fraud and Irregs

Infrastrucrture

Budget - Costcentre focused

Laptops for CFT

ICT Platform & common network access

Data Sharing Agreements updated

Terms and Conditions review

INTERNAL AUDIT DRAFT PLAN FOR 2023/24 **Report of the Director of Finance**

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

Recommendations:

That the Committee reviews and considers:

- i. the areas identified for inclusion in the internal audit plan for 2023/24;
- ii. agree the adaptive plan for 2023/24.

The key objective of Internal Audit is to provide assurance to Members, Leadership Group and the Director of Finance (as the Council's "section 151 responsible officer"), on the adequacy and security of those systems on which the County Council relies for its internal control, both financial and management.

The attached report provides the draft Internal Audit Plan for the Council for 2023/24.

Angie Sinclair

Electoral Divisions: All
Local Government Act 1972

List of Background Papers

Contact for Enquiries: Tony Rose
Tel No: (01392) 382437 Larkbeare House

| <u>Background Paper</u> | <u>Date</u> | <u>File Ref</u> |
|-------------------------|-------------|-----------------|
|-------------------------|-------------|-----------------|

Nil

There are no equality issues associated with this report.

Internal Audit

Internal Audit & Counter Fraud Plan 2023/24

Devon County Council
Audit Committee

February 2023

Not Protectively Marked



Tony Rose
Head of Devon Audit Partnership

Jo McCormick
Deputy Head of Devon Audit Partnership

Hannah Hellier
Senior Assurance Manager



Auditing for achievement

| | |
|--|---|
| INTRODUCTION | 1 |
| ANNUAL FLEXIBLE AUDIT PLAN | 2 |
| HIGH LEVEL SUMMARY AUDIT PLAN | 3 |
| COUNTER FRAUD AND INTERNAL AUDIT GOVERNANCE | 4 |
| APPENDIX 1 - AUDIT FRAMEWORK | 5 |
| APPENDIX 2 - ANNUAL GOVERNANCE FRAMEWORK ASSURANCE | 6 |
| APPENDIX 3 - AUDIT NEEDS ASSESSMENT | 7 |
| APPENDIX 4 - OUR AUDIT TEAM AND THE AUDIT DELIVERY CYCLE | 8 |

| Devon Audit Partnership | Confidentiality and Disclosure Clause |
|---|--|
| <p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon and Torridge councils. 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@devonaudit.gov.uk.</p> | <p>This report is protectively marked in accordance with the government security classifications. 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> |

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within the Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Leadership Group. The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to consider the Internal Audit Plan to provide assurance to support the governance framework (see Appendix 2).

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at Appendix 1, and the scope of Internal Audit work. The PSIAS refer to the role of 'Chief Audit Executive'. For the Council this role is fulfilled by the Head of Devon Audit Partnership.

The Chief Audit Executive is responsible for developing a risk-based plan which considers the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in Appendix 3.

The need for robust and effective controls to ensure that resources are used to the best effect and deliver the authority's objectives has never been greater. Internal audit helps provide independent assurance that risks are known, understood and addressed, and that systems and procedures are sound, effective and free (as far as can be) from waste, error or fraud. Preparing a plan that addresses the emerging risks and developing areas for the council, whilst still covering the material and cross cutting systems is essential and ensures that internal audit resources are directed in the most appropriate way.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope will be discussed and agreed with management with the view to providing management, the Director of Finance (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible and any changes will be agreed formally with management on a regular basis and reported to Audit Committee.

Expectations of the Audit Committee for this annual plan

Audit Committee members are requested to consider: -

- the annual governance framework requirements;
- the basis of assessment of the audit work in the proposed plan;
- proposed areas of internal audit coverage in 2023/24.

In review of the above the Audit Committee are required to consider the proposed audit plan.

Tony Rose
Head of Devon Audit Partnership

Annual Flexible Audit Plan

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more responsive to changing risks, in turn maximising resource focus to clients needs as and when needed – *Agile Auditing*. Circumstances with the pandemic have highlighted the needs and benefits of this, where significant in year changes have been made to the 2021/22 audit plan, following which there has been further request to change them again – *they need to be more fluid*. This principle looks set to continue and has several benefits with ever changing priority and related risks. This continued into 2022/23 and will be a constant feature going forward. Key benefits provide for:

- reduction in non-productive resource planning - current pandemic circumstances require significant plan changes.
- improved opportunity to keep plan aligned to current risks within Service Areas and as a whole for the Authority.

more effective and timely pre-audit engagement with Service Leads. greater and more regular discussion with client leads – supporting current risk and work priorities.

the current trend for more flexible audit plans – agile auditing. experience that plans change regularly.

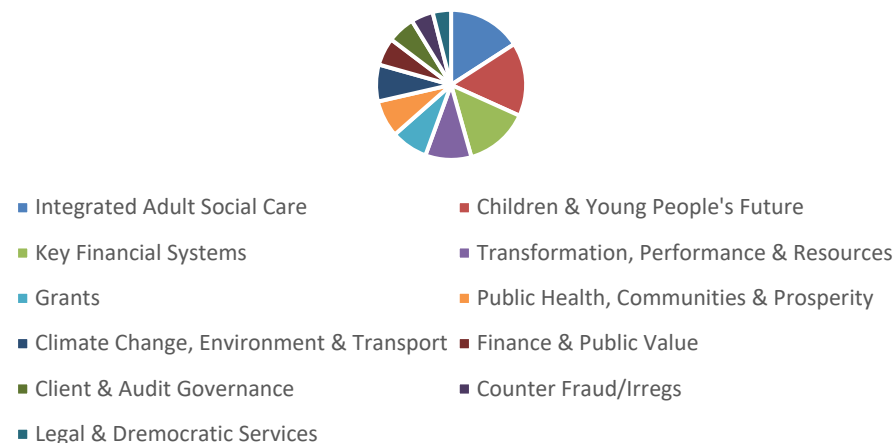
- changes in external risk drivers are more easily picked up in audit assurance needs.

Our audit plans are always built around the risks identified through risk management, audit needs and perceptions of current issues and in discussion with client management. The audit resource delivery envelope has been extended this year to provide opportunity for greater depth of coverage and further extension of counter fraud work.

The indicative allocation resource over the service areas to meet this summary plan is set out in the pie chart here. This shows a good spread of coverage across service areas which we feel will provide good opportunity to provide assurance on the wider control framework from which to build our annual assurance opinion.

Since 2021/22 the approach was changed to scope, schedule and resource plans throughout the year with Service Leads in an agile way incorporating risk changes as necessary. This was effective and this approach will continue in 2023/24.

Indicative Resource Allocation



Our high level summary audit plan identifies key corporate and service risks and areas identified as of greatest audit need. These risks are in the upper 'prioritised risk area' of the plan. Our expectation is that audit work is of most need in these areas. These are all underpinned by our core assurance work on the main financial systems and infrastructure systems and processes used to administer the most significant income and expenditure flows.

Additional to this we have provided an allocation of resource in each service area which is unscheduled and which we refer to as the 'adaptive plan'. This is where we expect the greatest amount of potential change to meet the Authority's and Service needs as risks and priorities change through the year. Those highlighted are where Services currently see most priority.

Follow-up and implementation

We will follow-up prior year reviews which identified limited assurance and ensure that evidence is in place to support any high risk issues.

Anti-fraud and Corruption

All our work will contain elements to ensure that sound and effective arrangements are in place to prevent and detect fraud and / or irregularity. Our plan of work on counter fraud is found later in this report.

| High Level Summary Audit Plan | | | | | Corporate/ Strategic Risks and Projects | Client and Audit Governance |
|-------------------------------|--|--|--|--|--|---|
| Adaptive Plan | Adult Care & Health | Children's Services | Climate Change, Environment & Transport | Public Health, Communities & Prosperity | | |
| | Supported Living Tender Impact Assessments Service Closure ACH System Replacement Project CQC – Assurance of Adults Social Care ICB Savings Plan Review of S75 Arrangements Direct Payments – System Development Liberty Protection Safeguards Commissioning – Best Value Unscheduled Resource, Options: OT & SW Recruitment Community Services | Children's Services Social Care – Ofsted Monitoring Financial Arrangements of EHCP Payments to Independent Schools Payments to Independent Placements – Social Care Payment by Results (Used to be Troubled Families) Consultant Process for Schools Forum Financial Arrangements Financial Intervention Panel Schools (FIPS) Direct Payments – Virtual Wallet MASH IT System (F/Up) Direct Payments (F-Up) Unscheduled Resource, Options: Children's Homes Compliance with the Care Act Requirement | Lack of capacity or capability to respond effectively to highway safety related issues Lack of capacity or capability to effectively respond to extreme weather events Waste Strategy Transport – Impact of Covid-19 Sustainable Urban Drainage System Section 106 Agreements Bio Diversity Net Gain Commuted Sums Unscheduled Resource, Options: Tree Management System – Ash Dieback Fees & Charges | Prosperity: Mobility Aids Learn Devon External Funding with Community Renewal Funds Public Health: Budget Pressures Business Continuity Fund led Audit Communities: Asylum Seekers Domestic Abuse Modern Slavery Incoming Serious Violence Unscheduled Resource, Options: Public Health – Impact of Covid Prosperity - Animal Disease Emergency/Contingency Plans | Budget Targets – Delivery of Savings/Accountability SEND – Savings Review People Strategy Spend Analysis – Eight Point Plan Financial Resilience of Key Suppliers – Business Continuity Best Value Governance & Commissioning of Corporate Contracts Single Sign-On Lone Worker Absence Devices Sickness/Absence Management Climate Change Core Systems Replacement -Finest – CareFirst | Audit Committee Corporate Governance Follow Up Reviews Audit Planning and Coordination Contingency Counter Fraud |
| Core Assurance | Key Financial Systems (Material Systems) - Payroll, Creditors, Debtors, Income Collection, Bank Reconciliation, Treasury Management, Main Accounting System Inc interface systems & reconciliations. | | | | | |
| | Grants - Troubled Families, Grants Out -Governance and monitoring | | | | | |
| | ICT – Disaster Recovery, Firewalls, Access Controls, IT Asset Management, Capacity & Availability, ICT Cyber Security – Vulnerability Management | | | | | |

The elements proposed for audit for the coming year are those identified from the risk register and discussion with Senior Management.

Counter Fraud and Internal Audit Governance

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Devon Audit Partnership – Counter Fraud Team will investigate instances of potential fraud and irregularities referred to it by managers and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud.

In recognition of the guidance in the Fraud Strategy for Local Government “Fighting Fraud Locally” a Strategy for the 2020’s Counter Fraud resources will be allocated to allow a focus on identifying and preventing fraud before it happens. Nationally these areas include Procurement, Payroll, Blue Badges, Direct Payments and Pensions. For 2023-24 we propose the following plan of work:

- Policy and Strategy – continued implementation and embedding;
- Integration with Audit Plan Work - reducing fraud risk in systems (key areas);
- Assurance on corporate risk and support for NFI and other data driven solutions;
- Investigation of potentially fraudulent activity;
- Training and awareness – across the Authority.

Internal Audit Governance

One element of our work is classified as ‘client governance’ - this is work that ensures effective and efficient audit services are provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances, this work will result in a direct output (i.e. an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include: -

- Preparing the internal audit and counter fraud plans and monitoring implementation;
- Preparing and presenting monitoring reports to Senior Management and the Audit Committee;
- Assistance with the Annual Governance Statement;
- Liaison with other inspection bodies (e.g. External Audit (Grant Thornton), Audit South West);
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue during the year;
- On-going development within the Partnership to realise greater efficiencies in the future.

Partnership working with other auditors

We will continue to work towards the development of effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We will participate in a range of internal audit networks, both locally and nationally which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of “re-inventing the wheel” in new areas of work which have been covered in other authorities.

We have developed sound working arrangements with Grant Thornton, the authority’s external auditors and will look to further develop liaison meetings to improve assurance, maximising the benefits of close working. We have also developed an effective working relationship with Audit South West (NHS Internal Audit) and anticipate more opportunities to work collaboratively together as integration between the Council and Health develops.

Appendix 1 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state: 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, considering public sector internal auditing standards (PSIAS) or guidance'.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Chief Audit Executive must 'establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. When completing these plans, the Chief Audit Executive should take account of the organisation's risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation's business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

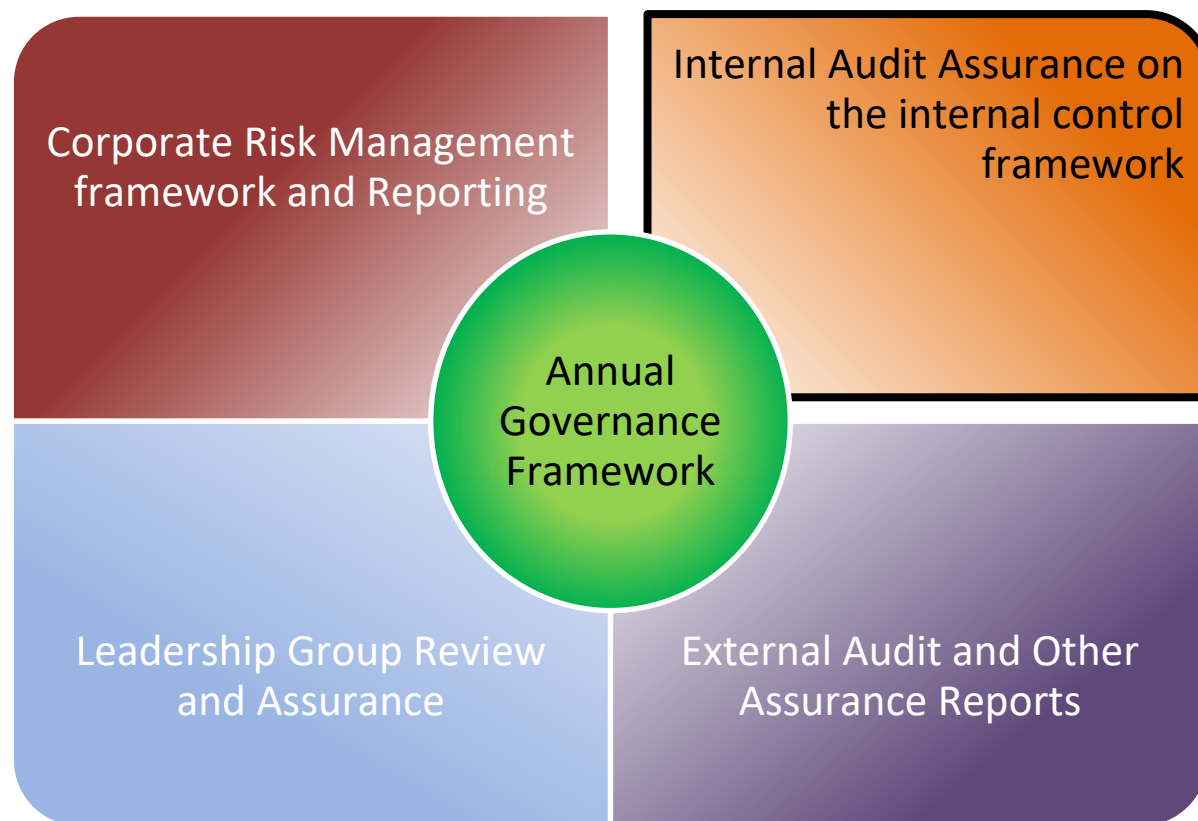
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement 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 Leader of the Council;
- 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 is 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 recently revised International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.



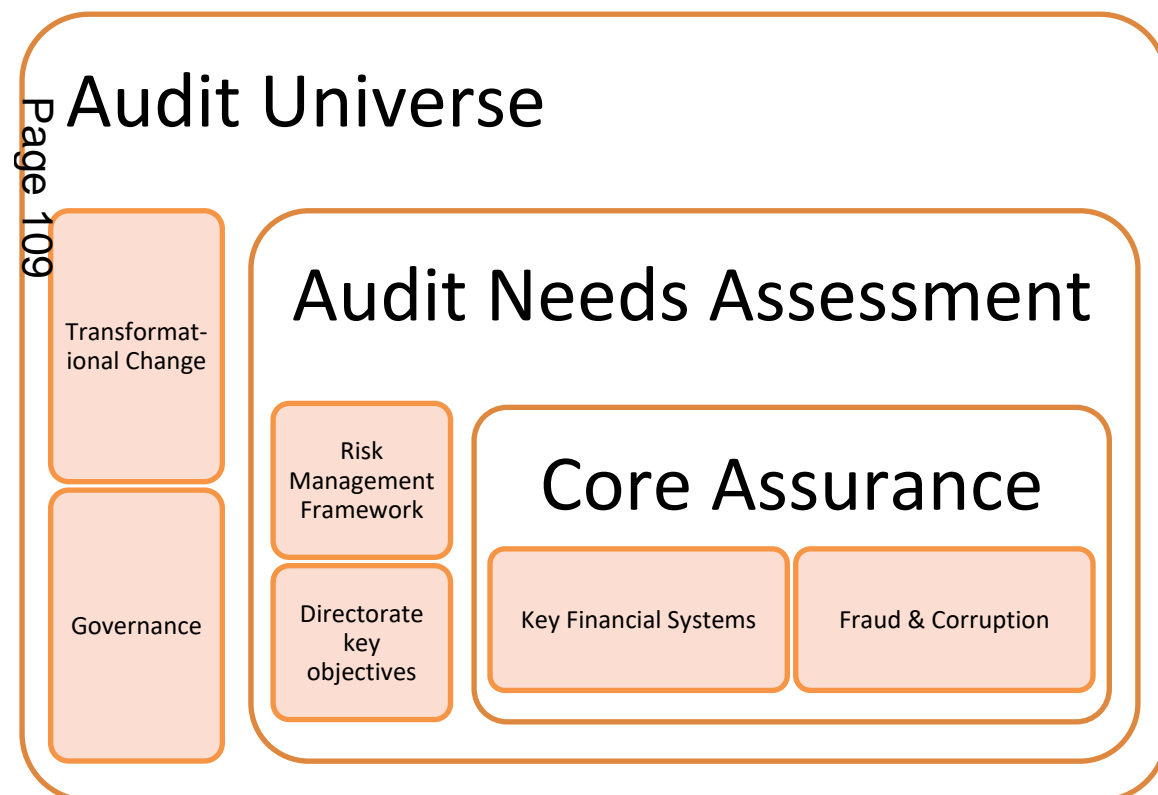
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by Risk Management, Leadership Group and Internal Audit that the statement meets statutory requirements.

Appendix 3 - Audit Needs Assessment

We employ a risk-based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the 'Audit Universe' using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.

The result is the Internal Audit Plan set out earlier in this report.



The audit plan for the year has been created by:

Consideration of risks identified in the Authority's strategic and operational risk registers

Review and update of the audit universe

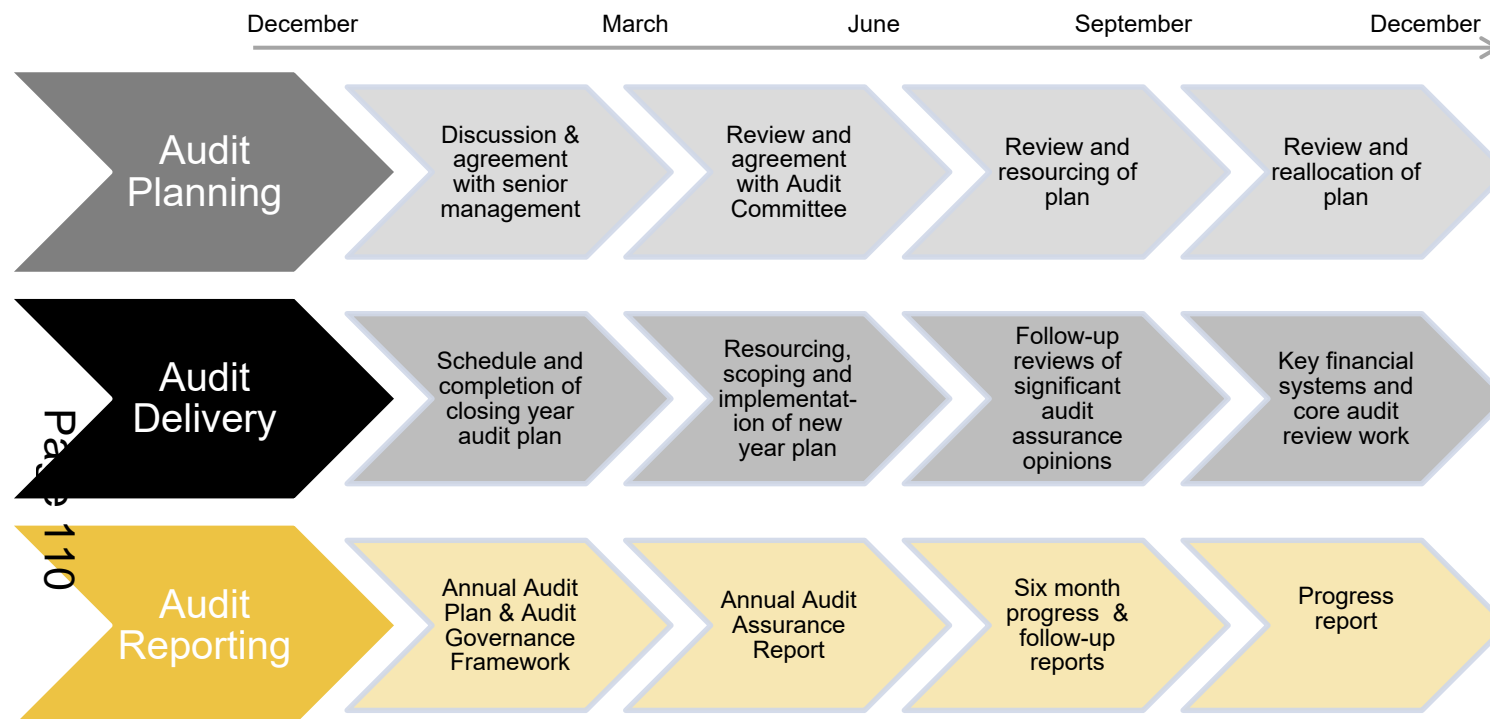
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

Taking into account results of previous internal audit reviews

Taking into account Internal Audit's knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council's delivery plans

Requirements to provide a 'collaborative audit' approach with the external auditors

Appendix 4 - Our Audit Team and the Audit Delivery Cycle



| Date | Activity |
|------------------------|--|
| Dec / 2022 Jan 2023 | Directorate planning meetings |
| Feb 2023 | Internal Audit Plan presented to Audit Committee |
| Feb 2023 | Internal Audit Governance Arrangements reviewed by Audit Committee |
| March 2023 | Year-end field work completed |
| April 2023 | Annual Performance reports written |
| May 2023 | Annual Internal Audit Report presented to Audit Committee |
| Aug 2023 | Follow - up work of previous year's audit work commences |
| Nov 2023 | Follow-up and progress reports presented to Audit Committee |
| Nov 2023 | Six-month progress reports presented to Audit Committee |
| Dec 2023 | 2022/23 Internal Audit Plan preparation commences |

Tony Rose
Head of Audit Partnership
T 01392 385483
M 077971 322914
E tony.d.rose@devon.gov.uk

Jo McCormick
Deputy Head of Audit Partnership
T 01392 383000
M 079616 50617
E joanne.mccormick@devon.gov.uk

Bradley Hutton
Senior Assurance Manager - Risk
T 01392 380493
E dominic.measures@devon.gov.uk

Hannah Hellier
Senior Assurance Manager - Devon County Council
T 01392 383000
E hannah.hellier@devon.gov.uk

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Audit Committee
February 2023
DF/23/25

Counter Fraud Update

Report of the Director of Finance and Public Value

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

Recommendation: that the Committee: -

- i. Note the ongoing work in Fraud Prevention and Detection in DCC.

The attached report sets out the Counter Fraud work being undertaken on behalf of and by Devon County Council and supports the Councils ongoing commitment as outlined in its Anti-Fraud Bribery and Corruption Policy / Strategy and Response Plan, as adopted last year.

The report is aimed at informing members of the progress made in the ongoing fight against fraud and outline future planned and continuing work to protect the public purse and retain public confidence that the Council recognises the harm that fraud can cause in the community and that it is protecting itself and its residents from fraud.

Strategic Plan: There are no Strategic Plan issues associated with this report.

Financial Considerations: There are no direct Financial Considerations issues associated with this report.

Legal Consideration: There are no specific Legal Considerations or issues associated with this report.

Environmental Impact Considerations (Including Climate Change): There are no specific Environmental Impact Considerations or issues associated with this report.

Equality Considerations: There are no specific Equality Considerations associated with this report

Risk Management Considerations: This report supports the Councils Risk Management process and is integral to an overall integrated assurance approach.

Public Health Impact: There is no specific impact on Public Health in connection with this report.

Summary/Conclusions/Reasons for Recommendations: Reasons for noting the report, include showing compliance with Anti-Fraud Bribery and Corruption Policy, and recognised best practice in line with good Governance

Chief Officer / Head of Service Angie Sinclair
Contact for Enquiries: Tony Rose
Tel No: (01392) 383000 Larkbeare House



devon**audit**partnership

Counter Fraud Services

Devon County Council

Devon Audit Partnership

Counter Fraud Update

Audit Committee February 2023

**CUSTOMER
SERVICE
EXCELLENCE**



Support, Assurance and Innovation

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1. Introduction

- 1.1 The Counter Fraud Services Team within [Devon Audit Partnership](#) (DAP) continues to support and facilitate the development of the Council's Counter Fraud processes and capability to improve its resilience to fraud and related offences.
- 1.2 The ongoing work will assist all Council staff, management, and members in identifying fraud and the risks associated with it. The aim is to ultimately provide the highest level of assurance possible utilising a joined-up service in association with our colleagues involved in Audit, Risk Management, and the Council itself to minimise fraud loss to the lowest level possible.
- 1.3 Audit Committee members requested regular updates on the Council's Counter Fraud activity to improve accountability; this report aims to meet this requirement and that required under the Anti-Fraud, Bribery and Corruption Policy and the accompanying Strategy and Response Plan.

2. Embedding the Anti - Fraud, Bribery and Corruption Policy, Strategy and Response Plan.

- 2.1 The [Anti-Fraud Bribery and Corruption Policy](#) and the accompanying [Anti-Fraud Bribery and Corruption Strategy and Response Plan](#) are available to view and represent the Councils commitment to fighting fraud and corruption and ensuring that it continues to build resilience in protecting the public purse.
- 2.2 These documents give clear guidance and ensure that all staff and members and the public can report fraud and irregularity suspicions directly to counter fraud specialists retained within the assurance services provided by the Partnership. The team have direct contacts with the Police and other law and enforcement agencies, which in turn ensures that all allegations are taken seriously and dealt with appropriately.
- 2.3 As part of the integrated approach to fighting fraud across the region, the Counter Fraud Services team are looking to rationalise the Policy's and Strategies of all the DAP Partners and clients across the piece. This will allow for a consistent and robust response to fraud across Devon and beyond.
- 2.4 The Policy and the accompanying Strategy and Response plan are due for update in the coming financial year.

3. Integration of Counter Fraud, Risk Management, and Internal Audit.

- 3.1 The integration between these assurance arms continues to evolve and strengthen. Regular meetings between the relevant managers and staff ensure that cross collaboration is growing and improving so that auditors are aware of fraud and risk issues (See Appendix 2).
- 3.2 Assurance meetings between Devon Audit Partnership and the Director of Finance and Public Value (Section 151 Officer), along with members of the Finance and Public Value Leadership Team ensure that direction, clarity and flexibility continue to improve.
- 3.3 The team has recently supported our colleagues in Audit and Adults and Children's Social Care teams, specifically looking at the risks linked to Cyber Enabled frauds that may affect some of the most vulnerable members of our society. We are committed to further increasing awareness and supporting the most vulnerable in society who are more at risk of falling victim to fraudsters. More information can be obtained via the [Action Fraud website](#) fraud affecting the most vulnerable.
- 3.4 We are currently networking with all the Devon District Councils to improve overall fraud resilience in Devon. We are also obtaining a mutual support and knowledge exchange with our counterparts in Cornwall County Council and the Local NHS Trusts. The West of England Fraud Group has now been revived, which involves Councils across the region looking at Fraud, Risk and Audit issues which affect us all. Resilience and overall assurance is improved by the sharing awareness and knowledge, joining with others increases confidence in decision making and the Team will continue to look for new partners and agencies to further this end.



4. National Fraud Initiative

4.1 The [National Fraud Initiative](#) (NFI) is an exercise run and reported on by the [Cabinet Office](#) that matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.

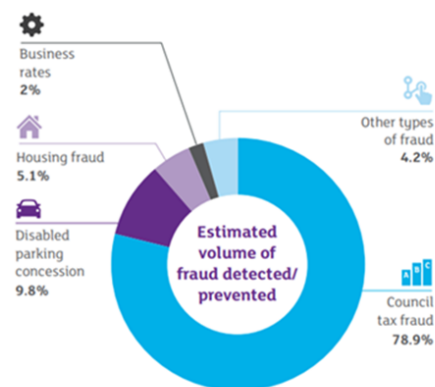


4.2 Devon Audit Partnership acts as the point of contact between the Cabinet Office and the Council in matters relating to the National Fraud Initiative, this being a mandatory Biannual exercise in fraud prevention and detection.

4.3 The next cycle of the NFI National Exercises has started. The previous exercise resulted in changes in entitlement which have resulted in an (estimated) total of **£1,451,893.86** in potential savings across the Council.

4.4 The Counter Fraud Team have successfully submitted data in the following areas of business.

- Creditors
- Payroll
- Pensions (Able to submit their own data)
- Blue Badge (Supplied by National Blue Badge Scheme)
- Concessionary Travel Passes
- Parking Permits



4.5 All Departments have now successfully run the required data on 30th September or as near as possible after that date to ensure the consistency of the data. A full timetable for the NFI National Exercise can be found at (Appendix 1).

4.6 All matches have now been returned from the Cabinet Office and will now be checked by the relevant Departments involved. A total of 18,204 matches have been returned with 14,278 being considered as key matches, many of these matches will risk scored to assist in the resolution of the records. Low grade matches may only require sample testing, to give assurance.

4.7 Devon Audit Partnership will support and encourage completion of the NFI returns and results will be reported to the Audit Committee in the regular Counter Fraud Updates in future.

5. Investigations and other ongoing work

5.1 In the current financial year, the Counter Fraud Services (CFS) Team have received 54 referrals.

5.2 The CFS team currently have 14 live investigations. *(Details of individual investigations cannot be disclosed due to the sensitive nature of the information).*

5.3 The team has highlighted and is highly involved in assisting DCC with setting up, managing, and completing an exercise which identifies instances of the incorrect application of Single Person Discounts (SPD) related to Council Tax across Devon with all Councils who agree to participate. Most Councils will have been involved in this type of exercise in the past, however in this instance we are looking to involve all Districts in the same exercise to maximise Council Tax accuracy and correct billing across the County.

A smaller but similar exercise with just 3 Districts which was run pre COVID, yielded an uplift in collectible Council Tax of over £375k.

Procurement and suppliers are now finalising contract terms and conditions and all Districts will be encouraged to maximise this service in the coming months.

5.4 We continue to support service areas that require data analysis and monitoring of transactions as a result of recent cyber enabled attacks.

5.5 Work towards creation of a Council wide Fraud Risk Register continues and will be reported on in a future update to Audit Committee.

6. Raising Fraud Awareness

- 6.1 Regular reports and updates from varying sources such as the [National Anti-Fraud Network](#) (NAFN) and the [National Cyber Security Centre](#) (NCSC) are circulated across the Council by the Counter Fraud Services team to ensure knowledge and awareness are kept at levels suitable for the protection of the public purse and the public themselves.

7. Counter Fraud 2022/23

- 7.1 During 2021/22 we undertook a review of the DCC strategy and approach, for 2022/23 we proposed the following plan.

- Policy and Strategy – Review due in August 2023
- An increase in the use of data analysis to highlight and resolve potential high risk fraud threat areas. **This work has started and will continue.**
- Focused reviews – Pensions and Procurement (using data analysis). **This will now be reviewed after the NFI National Exercise results. (Jan/Feb 23)**
- Integration with Audit Plan Work - Reducing fraud risk in systems (key areas). **Ongoing**
- Assurance on corporate risk and support for NFI. **Ongoing**
- Investigation of potentially fraudulent activity. **Ongoing**
- Training and Awareness – Review of eLearning and other delivery methods to increase fraud awareness across the organisation and beyond.

8. Other fraud related updates

- 8.1 The [National Economic Crime Centre](#) (NECC) has been created to deliver a step change in the UK's response to, and impact on, economic crime. For the first time, the NECC brings together law enforcement and justice agencies, government departments, regulatory bodies and the private sector with a shared objective of driving down serious organised economic crime, protecting the public and safeguarding the prosperity and reputation of the UK as a financial centre.
- 8.2 The [National Crime Agency](#) (NCA) rightly confirms that Fraud is the most commonly experienced crime in the UK. Fraud costs the UK many billions of pounds every year. The impact of fraud and related offences such as market abuse and counterfeiting, can be devastating, ranging from unaffordable personal losses suffered by vulnerable victims to impacting the ability of organisations to stay in business.
- 8.3 [Action Fraud](#) reported that “more than 100 arrests in UK's biggest ever fraud operation” At one stage, almost 20 people every minute of the day were being contacted by scammers hiding behind false identities using the site. They posed as representatives of banks including Barclays, Santander, HSBC, Lloyds, Halifax, First Direct, Natwest, Nationwide and TSB. Scotland Yard's Cyber Crime Unit worked with international law enforcement, including authorities in the US and Ukraine, to dismantle the website this week.

9. Conclusion

- 9.1 Fraud attacks the very foundations of society and that of any fair and equitable system of support for those who need Devon County Councils services the most. All indicators show that as finances become more difficult, individuals make decisions that they would otherwise potentially not make under other circumstances.
- 9.2 Devon County Council's continues to show that it is committed to improving its assurance position in respect of its fight against fraud and it has never been more important to minimise losses to fraud in order to protect Council Services and those they serve.
- 9.3 We will continue to assist the Council in building stronger defences and protection against fraud to ensure that every £ of public spending goes on those who legitimately require it, when they need it and that those who would defraud the system are dealt with appropriately and robustly.

Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, North Devon, Torridge, South Hams and West Devon councils. We aim to be recognised as a high-quality assurance service provider 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.

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.

Confidentiality and Disclosure Clause - This report is protectively marked in accordance with the Government Security Classifications. 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.

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.

(Fighting Fraud and Corruption Locally 2020)



Appendix 1

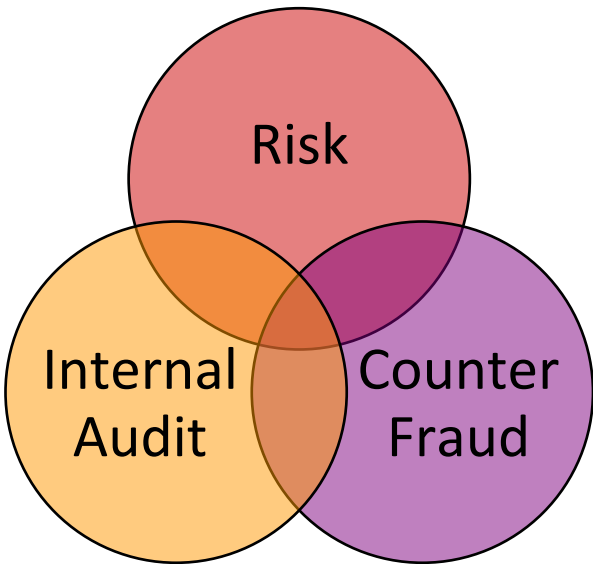
Timetable for the National Fraud Initiative 2022/23 Exercise

| Activity | Who | How | Timing |
|--|---------------------------|--|---|
| Issue DRAFT data specifications for each data set | NFI Team (Cabinet Office) | Draft data specifications will be available on the NFI GOV.UK web page. | By Friday 8 April 2022 |
| Issue the FINAL data specifications for each data set | NFI Team (Cabinet Office) | Final data specifications will be available on the NFI GOV.UK web page. | By Friday 29 July 2022 |
| Issue the instructions to bodies participating in NFI 2022/23 | NFI Team (Cabinet Office) | An email containing a link to the NFI 2022/23 instructions on the NFI GOV.UK web page will be sent to Senior Responsible Officers and Key Contacts. | By Friday 29 July 2022 |
| Make the 2022/23 national exercise part of the web application available | NFI Team (Cabinet Office) | The web application will be made available for 2022/23 access. | From Wednesday 3 August 2022 |
| Check the list of expected data sets is accurate | NFI Key Contact | Key Contacts will log in to the 2022/23 web application Data File Upload (DFU) and check the list of expected datasets is accurate and advise us of any changes to the list by Wednesday 31 August 2022. | Between Wednesday 3 August and Wednesday 31 August 2022 |
| Communicate data quality criteria / guidance | NFI Team (Cabinet Office) | The data quality criteria for each dataset will be communicated to all participants, including details of data quality failures that may result in a penalty fee | By Wednesday 31 August 2022 |

| | | | |
|---|---|--|---|
| Ensure the person uploading data has a web application account | NFI Key Contact | Key Contacts should ensure the person responsible for uploading data has a user account on the web application. | By Friday 16 September 2022, and as and when future changes occur |
| Complete the 2022/23 privacy notice compliance declaration in the web application | NFI Key Contact | Key Contacts should ensure the privacy notice compliance declaration is completed. | By Friday 30 September 2022 |
| Extract data from systems in accordance with the data specifications and upload data to the NFI web application | NFI Key Contact / User (data upload) | Key Contacts should ensure that data is extracted from systems as at 30 September 2022 (unless otherwise stated in the data specification) and uploaded to the web application 2022/23 DFU as soon as quality checks have been completed. | Data must be uploaded between Friday 7 October 2022* and Friday 18 November 2022*** |
| Cut off for the main 2022/23 NFI release | NFI Key Contact /Senior responsible Officer | If data is not received and processed by close of business on Friday 2 December 2022 it may be classed as late and a failure to fully meet your statutory duty** Late data, or data that does not adequately meet specified data quality criteria may incur a penalty fee. | 5pm on Friday 2 December 2022*** |
| Set up/review accounts for those reviewing matches | NFI Key Contact | Key Contacts should ensure user accounts are set up on the web application for those in their organisation responsible for reviewing matches. | By Friday 22 January 2023 and as and when future changes occur |
| The 2022/23 exercise matches are available | NFI Team (Cabinet Office) | An email will be sent to Senior Responsible Officers and Key Contacts informing them that the matches are available. | From Thursday 26 January 2023 **** |

Our Vision

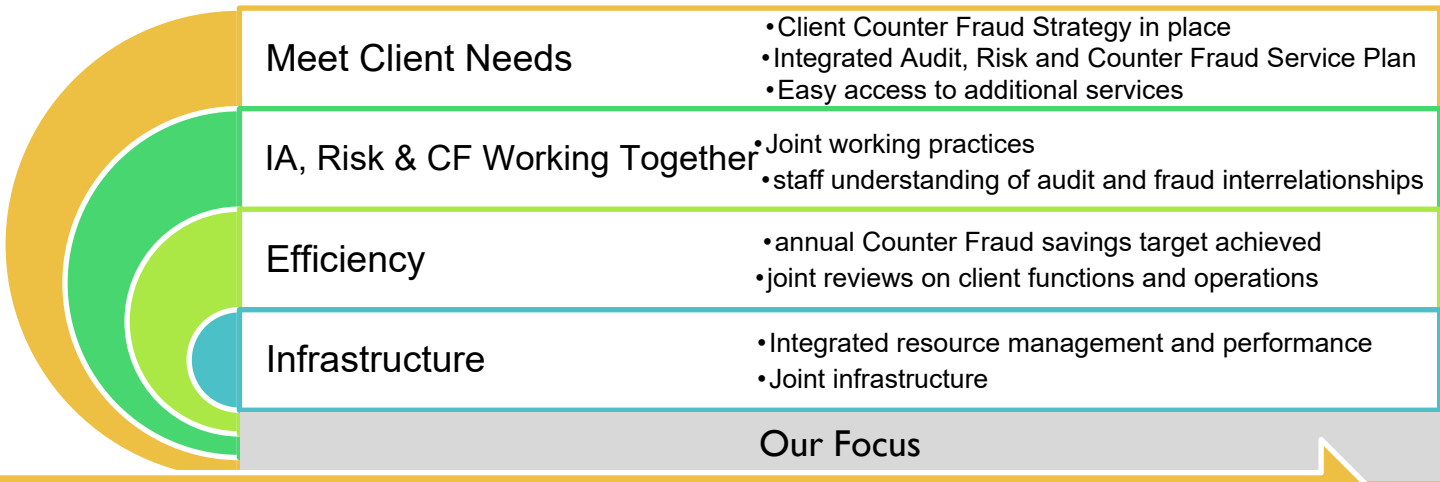
To be a leading provider of internal audit, counter fraud, risk management and other assurance services to public and not-for-profit organisations in the South West and beyond.



Operational delivery

- CFT to co-ordinate / undertake irregularities work coming through the audit plan
- Potential irregularities are triaged to fraud or audit for review
- Proactive fraud work e.g. NFI, developing delivery plan at client level
- Investigation work to be completed jointly (where appropriate) to progress possible fraud review and strengthen internal control frameworks
- Audit scoping to include counter fraud input
- Three-way liaison confirming risk and control
- Integrated reporting to be delivered on a case basis

Our Goals



Client Services

Counter Fraud Strategy with each client
Regular client liaison Mtgs.
POC access to additional integrated services
CF Service plan with each client for both pro-active and re-active services
Joint Partner CF work e.g. SPD
Client training on Fraud Awareness

IA, Risk & CF Working Together

Joint Working Practices
Joint scoping of audit and Irregs
CF Risk Assessment Review - CIFAS
Joint IA, Risk & CF plan
Pro-active **Prevention** work
Pro-active **Detection** work
Effective **Investigation**
NFI work co-ordinated by CFT

Efficiency

Savings Plan £55k by year three
Restructure of PCC Team work plan (releasing resources)
Joint working practices
Single Point of Contact for Fraud and Irregs

Infrastrucrture

Budget - Costcentre focused
Laptops for CFT
ICT Platform & common network access
Data Sharing Agreements updated
Terms and Conditions review

2022/23 Risk Management Update

Report of the Director of Finance and Public Value

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendation: that the Committee: -

- i. review the most recent risk position for 2022/23 including notable changes, and via the Power BI Dashboard.
- ii. review the updates to the risk management process as supported by Devon Audit Partnership.

The attached report sets out the risk position of the Council, updates on changes to risk management arrangements during 2022/23 and confirms the role of the Audit Committee as per the Council's Risk Management Policy. It further explores and summarises the existing risk position via links to visual reporting of risks using the Power BI platform.

The report is aimed at informing members of areas of High risk and notable changes that may need further review, as well as providing the required assurance that Risk Management activity is live and supporting the Council in its activities, as well as meeting its statutory requirement for effective risk management.

As requested by Members, information relating to risk mitigation is included within the report.

Appendix A Shows risk register extracts of a sample of the highest scoring risks at the time of writing this report.

Appendix B Provides Impact Scoring guidance.

Appendix C Contains an extract of the Power BI Audit Committee Risk Dashboard.

Strategic Plan: There are no Strategic Plan issues associated with this report. A future development will include reporting on risk linked to the Council's Strategic Priorities.

Financial Considerations: There are no direct Financial Considerations issues associated with this report, however Financial Considerations are taken into consideration in risk assessment and scoring.

Agenda Item 9

Legal Considerations: There are no specific Legal Considerations or issues associated with this report, however Legal Considerations may be taken into consideration in risk assessment and scoring.

Environmental Impact Considerations (Including Climate Change): There are no specific Environmental Impact Considerations or issues associated with this report, however Environmental Considerations may be taken into consideration in risk assessment and scoring.

Equality Considerations: There are no specific Equality Considerations associated with this report, however Equality Considerations may be taken into consideration in risk assessment and scoring.

Risk Management Considerations: This report supports the Councils Risk Management process and is integral to an overall integrated assurance approach.

Summary/Conclusions/Reasons for Recommendations: Reasons for noting the report include recognised best practice and good Governance.

Angie Sinclair
Director of Finance and Public Value

Electoral Divisions: All
Local Government Act 1972

Contact for Enquiries: Tony Rose
Tel No: (01392) 385488 Larkbeare House

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



devon**audit**partnership

Risk Management

CIR Risk Management

AWARDS 2022

shortlisted



Risk Management

Update Report

February 2023



Audit Committee

**CUSTOMER
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Support, Assurance & Innovation

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Introduction and purpose of this report

Devon Audit Partnership (DAP) continues to support and facilitate the development of the Council's Risk Management Framework and Processes. This support is designed to assist members, senior management, and staff in identifying risks, recognising, and recording the "true" risk, mitigation thereof and to promote the effective monitoring and reporting of those risks. Audit Committee members are requested to review the movement in the Council's Risk Register since last reported.

Risk Update

In regard to the Devon County Council budget situation 2022/23, ways to reduce costs and make savings within services have been identified. Increasing needs and demand for services is expected to continue into 2023/24 and beyond. Cost of living and energy price increases and inflationary pressures will have a bearing on the Council's risk profile, as do on-going world events in Russia and Ukraine.

Service area risks have and will continue to be updated to reflect the Council's current financial position and demand for services, and Budget book risks are referred to further below.

We note the recent developments in relation to the Council's Race Equality Audit outcomes, including the development of procedures for risk assessing staff lone working in the community. These are Health & Safety risks assessments for which corporate guidance is provided.

We continue to work with officers to reflect any new and emerging risks, including in respect of Cost of Living increases and Financial Sustainability. Governance arrangements are in place in regard to corporate oversight of financial sustainability risk and to ensure that the risk is minimised. We are in contact with the Deputy Director of Finance and Public Value concerning this risk area.

We are developing guidance on project risk management. And support has been provided to the development of new risks, including in the Children and Young People's Future area.

As of 7th February 2023, there were 135 risks recorded in the Risk Register. Of these, twenty-five risks were initially assessed to have an Inherent status of Very High, with mitigations reducing ten of these risks to High, four to Medium, one to Low; ten risks remain as Very High. Overall, there are fifty-three risks with a Current (Mitigated) Risk Score of High or above, a small extract of which are shown in Appendix A.

Details on the controls and mitigations planned or in place for the risks with a current risk score of Very High are included in this report.

Work continues to enhance the Power BI reporting, to include reporting on risks linked to the Council's Strategic Priorities, in addition to supporting the regular review of risks against the specified priorities as part of the existing strategic plan review framework.

Details of the most up to date risk position can be seen in the [Power BI Dashboard](#). The Council's risk register can be viewed by Members at [Risk Recording | DCC Risk Management](#)

As previously advised, a budget book risk register has been established to support the monitoring of risks directly linked to the budget setting process for 2022/23.

The Budget Book risk register can be viewed by Members at [Budget Book risks | Services | Risk Recording \(devon.gov.uk\)](#). Please note that where a budget book Risk (as included in the published Budget Book) duplicates or overlaps with an existing service area risk, we have worked with officers to address this on the system and so avoid the effort in updating two risk records.

This approach has been taken for the Integrated Adult Social Care (IASC) Service Area, where budget book risks have been 'stood down.' The related budget book risk will show on the Budget Book Risk Register with a very low score not requiring review, and the Service Risk is linked to the Budget Book Risk Register.

We are continuing to work with the Director of Finance and Public Value to ensure that the process for monitoring Budget Book risks is robust and efficient. We are working with officers to support the monitoring

of risks directly linked to the budget setting and monitoring process. Budget Book risks as recorded on the risk management system and are subject to update by the relevant Head Accountant and service areas leads to reflect the 2022/23 budget position.

We note that Children and Young People's Futures Budget Book risks are subject to review by Head Accountants in conjunction with the Service Area leads. These risks are subject to update and should therefore be treated accordingly

Occasionally, exceptions occur where risks have a Current (Mitigated) Score that is higher than the initial Inherent (Unmitigated) Score. This happens when the normal circumstances under which risks are scored suffer a temporary but significant change in context, with instances normally rare. It is of note that this inconsistency currently applies to the following risks, reflecting risk areas relating to demand for services and resource availability.

| Risk Title | Inherent Score (Unmitigated) | Current Score (Mitigated) |
|--|------------------------------|---------------------------|
| Insufficient capacity of the High Needs Block to meet demand - Children's Services | 20: High | 24: Very High |
| SC1: Education and Learning Services budget availability | 20: High | 24: Very High |
| Demand for Children's Social Work - Children's Services | 16: High | 24: Very High |
| HR Recruitment and Retention | 16: High | 20: High |
| Potential Flu Pandemic | 15 : High | 16 : High |
| FIN06 – Failure to Properly Plan Finance Workforce requirements | 12 : Medium | 16 : High |
| Staffing capacity risk of insufficient staff to meet service need (Adopt SW) | 12 : Medium | 16 : High |
| Council Tax Arrears / Support Charges | 12 : Medium | 15 : High |

Additional mitigations may well be required to manage the risks and, in some cases, where there is a permanent change in context, the unmitigated score will also need to be reviewed and updated, where the above continue to remain as exceptions, we will work with the relevant Risk Champion to restructure the risk to reflect any "new normal" circumstances.

The management and reporting of risk continues to evolve and build on the positive culture of expectation around risk information. This leads to greater interaction and requests for enhancements, further growing levels of reporting, expectation, and an overall improvement in risk management.

The [Power Bi Dashboard](#) displays the change in risk scores and overall risk profile for the Council and shows where risks have both increased and decreased, this should provide both insight and assurance to the Committee that the risk management process is continuing to capture and update risks linked to current activities.

Audit Committee Risk Dashboard - Further information on the current position for existing risks can be found using this [link to Power BI reporting](#). The information within this dashboard is updated from the Risk Register every 7-14 days, providing the most up to date view of data. The Dashboard is evolving to ensure that the information held is presented in a clear and useable format. Training for Members on the use of Power BI reporting has recently been provided and is available on request.

Risk Management 2022/23

Further consolidation and development of Risk Management activity continues to build on the progress made to date. As we move through 2022/23 and beyond the key areas of challenge include **Demand for Services, Finance and Resource availability and Climate Adaptation**. The Council will need to tackle these areas, both in terms of the risks that they pose, and the opportunities that the changing UK context could present.

Risk Management activity across the Council continues to be focused on these and other emerging areas with planned activity including:

- New Risks (Internal) – Supporting in the prompt and accurate identification of new / emerging risks, as well as determining the impact of such risks and scoring as such.

- New Risks (External) – Gaining insight from other organisations to risks not yet affecting the Council.
- Risk Mitigation – Identification and recording of mitigating controls.
- Risk Reporting – Clear presentation of residual risks to senior management to enable effective and timely decision making to manage risk to acceptable levels. This includes alignment of risks to the Council's Strategic Plan 2021-25 priorities, and associated reporting.
- Risk Scoring – Continuing work to ensure that there is consistency of risk scoring across all areas, in turn allowing easier comparison and prioritisation of risks and response actions. In particular we are looking to develop a Corporate Multiplier approach and will brief the committee on this at a future meeting. The Corporate Risk Management Group met to discuss the consistency of risk scoring and how to improve it further.
- Consideration of global, national, and regional 'external' risks and their impact on the Council, it's service and population.

Background – Policy and Process

The [Risk Management Policy](#) includes a description of the Roles and Responsibilities in relation to risk management. In practical terms this results in the submission of Risk Management reports to Members via the Audit Committees, and periodic sharing of risk information to Scrutiny Committees, including where risks cross over different scrutiny functions. To support the reporting to members and to comply with the Risk Management Policy and best practice, Leadership Group are provided with updates throughout the year.

Supporting Appendices

- Appendix A – Extract of a Sample of some of the Highest Rated Risks (Based on Current Risk Score).
- Appendix B – DCC Impact Scoring Guide.
- Appendix C – Power BI Extract.

Appendix A – An extract of a sample of some of the Highest Rated Risks Based on Current (Mitigated) Risk Score.

| Risk Title | Linked Service Area | Inherent Rating | Current Rating | Risk Owner | Accountable Officer |
|---|--|-----------------|----------------|------------------|---------------------|
| Corporate Services - Key Themes include Resource/Capacity, Cyber Security, Climate Change, Covid-19 | | | | | |
| BI21 - Successful Cyber Attack | Council Wide – Digital Transformation & Business Support | 30: Very High | 24: Very High | Robyn Dennis | Gary Dempster |
| Covid-19 Pandemic | Council Wide – Public Health | 30: Very High | 24: Very High | Steve Brown | Leadership Group |
| Climate Change | Council-wide - Planning, Transport and Environment | 30: Very High | 20: High | Dough Eltham | Meg Booth |
| FIN05 - Failure to Prepare or Control Robust Budget | Council Wide – Finance Services | 20: High | 20: High | Matthew Thorpe | Angie Sinclair |
| FIN39: Failure to deliver priority services as a result of significantly reduced finances | Council Wide - Finance Services | 20: High | 20: High | Matthew Thorpe | Angie Sinclair |
| HR: Workforce Recruitment and Retention | Human Resources | 16: High | 20: High | Samantha Mullins | Maria Chakraborty |
| Refugees and migrants are not adequately supported to access services and integrate into local communities | Council Wide – Communities | 20: High | 16: High | Simon Kitchen | Leadership Group |
| FIN06 - Failure to Properly Plan Finance Workforce Requirements | Finance Services | 12: Medium | 16: High | Matthew Thorpe | Angie Sinclair |
| Council Tax Arrears/Support Charges | Finance Services | 12: Medium | 15: High | Alex Hosking | Leadership Group |
| Adult Social Care – Key Themes include Statutory Duties, Demand and Resource/Capacity, Cost of Living* | | | | | |
| CSLT-PC1 – The council fails to meet its Care Act market sufficiency duty for personal care | Adult Commissioning and Health | 30: Very High | 25: Very High | Nicola Tribble | Solveig Wright |
| CSLT-CH1 - The council fails to meet its Care Act market sufficiency duty for care homes | Adult Commissioning and Health | 30: Very High | 25: Very High | Nicola Tribble | Solveig Wright |
| OSLT-D4 - Insufficient financial resources to support people with eligible social care needs | Adult Care Operations and Health | 25: Very High | 25: Very High | Keri Storey | Tandra Forster |
| CSLT-CH4: Adverse impact of cost of living increases on the Care Home market | Adult Commissioning and Health | 25: Very High | 25: Very High | Nicola Tribble | Solveig Wright |
| CSLT-D8 – ASC Charging Reform: capability to deliver the requirements of the Government's 'People at the heart of care' social care charging reform | Adult Commissioning and Health | 25: Very High | 25: Very High | Damien Furniss | Solveig Wright |
| OSLT-CM8 - Safeguarding Adults at Risk with Care and support needs | Adult Commissioning and Health | 25: Very High | 25: Very High | Tina Ramage | Keri Storey |
| OSLT-CM1 Failure of the Authority to meet its statutory obligations under The Deprivation of Liberty Safeguards (DoLS) | Adult Care Operations and Health | 24: Very High | 24: Very High | Sandra Geary | Gary Patch |

Appendix A – An extract of a sample of some of the Highest Rated Risks Based on Current (Mitigated) Risk Score.

| Risk Title | Linked Service Area | Inherent Rating | Current Rating | Risk Owner | Accountable Officer |
|---|---|-----------------|----------------|-------------------|---------------------|
| CSLT-D1 - Changes in demand for services post-pandemic destabilise the market for adult social care | Adult Care Operations and Health | 24: Very High | 24: Very High | Nicola Tribble | Solveig Wright |
| CSLT-D6 - ASC Charging Reform: unknown financial implications of implementing the Government's 'People at the heart of care' social care charging reforms | Adult Commissioning and Health | 25: Very High | 20: High | Damien Furniss | Solveig Wright |
| OSLT-D7: ASC Charging Reform: capacity to deliver the requirements of the Government's 'People at the heart of care' social care charging reform | Adult Commissioning and Health | 20: High | 20: High | Damien Furniss | Solveig Wright |
| CSLT-UC2: Adverse impact of cost of living increases on the unregulated care market | Adult Commissioning and Health | 20: High | 20: High | Nicola Tribble | Solveig Wright |
| OSLT-CM5 – Challenge in recruiting appropriately qualified adult social care professionals to the in-house workforce | Adult Care Operations and Health | 20: High | 16: High | Tina Ramage | Keri Storey |
| Children's Social Care – Key Theme include Demand and Resource/Capacity, Safeguarding, Statutory Duties | | | | | |
| Insufficient capacity of the High Needs Block to meet demand | Children's Social Care | 20: High | 24: Very High | Jackie Ross | Julian Wooster |
| CSLT-CH1: Education and Learning Services budget availability | Education and Early Help | 20: High | 24: Very High | Damien Jones | Julian Wooster |
| Demand for Children's Social Work | Children's Social Care | 16: High | 24: Very High | Jassi Broadmeadow | Julian Wooster |
| Demand for Children's Services exceeds the financial provision | Children's Social Care | 24: Very High | 20: High | Karen Powlesland | Julian Wooster |
| Insufficient Capacity in Education and Learning Services to ensure the quality of education and safety of children subject to elective home-schooling | Education and Early Help | 20: High | 20: High | Rachel Shaw | Julian Wooster |
| Death or Serious Injury to a Child or Young Person | Children and Young People's Futures; Council-wide | 20: High | 20: High | Julian Wooster | Leadership Group |
| Education and Learning: High Needs Block/DSG Deficit | Education and Early Help | 30: Very High | 16: High | Jackie Ross | Julian Wooster |
| Insufficient staffing capacity to deliver full Public Health Nursing service offer | Public Health Nursing | 25: Very High | 16: High | Victoria Howard | Kate Stephens |
| Failure to adhere to the statutory SEND Code of Practice: 0 to 25 Years | Education and Early Help | 16: High | 16: High | Jackie Ross | Julian Wooster |

*Please note that Adult Social Care risks (including risks CSLT-CH1, CSLT-D6, CSLT-D8 and OSLT-D7) relating to financial, capacity and capability challenges are currently subject to review by the service area. These risks are being reviewed in the context of the Reform Programme to ensure that they align appropriately to the challenges relating to charging reform, cost of care, regulation and Liberty Protection Safeguard changes.

Details on the controls and mitigations planned or in place for the risks with a current risk score of Very High (at the time of preparing this report) shown above can be found on the following pages - Risk Mitigations (RAG rated as per the Risk Register Entry)

Additional Risk Detail

The table below outlines the mitigations recorded against the risks identified above. Each mitigation has been rated as Red, Amber, Green or Completed by the owner of the action.

Corporate Services

| Risk Title | Current Risk Score | Risk Description, and Controls and Mitigations | | | | | | | |
|--------------------------------|--------------------|--|--|-------|---|-------|--|-----------|---|
| BI21 - Successful Cyber Attack | 24: Very High | Risk Description: Successful Cyber Attack on the Authority | | | | | | | |
| | | Summary of Controls and Mitigations:- | | | | | | | |
| | | Amber | Annual PSN Compliance process | Amber | Business Continuity Planning | Amber | Disaster Recovery Plan | Amber | Communication and Reporting |
| | | Green | Policy and Guidance | Green | Training and awareness | Green | New cyber security platform rolled out | Completed | Strategic Cyber Security Manager appointed |
| Covid-19 Pandemic | 24: Very High | Risk Description: The Covid-19 pandemic impacts the delivery of DCC Services including in relation to staff members being unable to perform their usual functions for reasons relating to illness, self-isolation, impact of lock-down restrictions, caring responsibilities, and Council offices being closed - resulting in the functions of the Council and services provided to the Community being reduced. DCC Services may also be impacted by key partners and suppliers being unable to fulfil their roles. | | | | | | | |
| | | Summary of Controls and Mitigations:- | | | | | | | |
| | | Green | The situation is being monitored at the highest levels within the Council and through the Pandemic Incident Management team (PIMT) | Green | Support to Council employees, through HR advice, Employee Assistance Programme etc. Remote and home-working | Green | Support to key suppliers through temporary fee uplifts (Adult Social Care) and via the PPN02 process | Green | Payments of grants to organisations and District Councils |

Appendix A – An extract of a sample of some of the Highest Rated Risks Based on Current (Mitigated) Risk Score.

| Risk Title | Current Risk Score | Risk Description, and Controls and Mitigations | | | | | | | |
|------------|--------------------|--|--|-------|---|-------|---|-------|--|
| | | | | | capabilities in place | | | | |
| | | Green | Council colleagues assisting with the prevention and recovery effort | Green | Internal and external communications to confirm Government advice and local support | Green | Liaison with central Government and delivery in conjunction with Devon District Councils | Green | Provision of PPE to relevant front-line colleagues |
| | | Completed | PIMT and SIMT Structure for Response | Green | Formation of Recovery Group | Green | Creation of Health Protection Board; Local Outbreak Management Plans published. Associated Tactical Management Group Structure and Tactical Resource Incident Management Group established. | | |

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Adult Social Care

| Risk Title | Current Risk Score | Controls and Mitigations |
|---|--------------------|---|
| CSLT-PC1 – The council fails to meet its Care Act market sufficiency duty for personal care | 25 : Very high | <p>Risk Description: Cause - Lack of available service capacity due to inability to secure sufficiency of personal care supply in certain parts of the County, coupled with the impact of Covid-19</p> <p>Event - Providers are unable to recruit and retain appropriately qualified care workers to meet demand for personal care services in certain parts of the County, coupled with levels of demand, changing patterns of need (e.g. higher care packages in personal care), changes required due to new infection control measures and impact on workforce.</p> <p>Impacts - In certain circumstances people are at home with inappropriate levels of personal care support to meet their needs, which may include reliance on family and friends. There may also be difficulty in accessing care home placements due to Covid impact and, in some sectors such as day services, previous models of service may no longer be viable. The consequences will include. people being delayed in hospital whilst care packages or placements are sourced to support safe discharge contributing to whole system pressures. More costly alternatives are being secured, e.g., short term residential placements, to support people safely. The impact of</p> |

| Risk Title | Current Risk Score | Controls and Mitigations | | | | | | | |
|--|--------------------|---|---|-------|---|-------|--|-------|--|
| Page 133 | | Covid on unpaid carers has also been pronounced, with increased pressure arising from e.g., not being able to access certain forms of replacement care. | | | | | | | |
| | | Summary of Controls and Mitigations:- | | | | | | | |
| | | Amber | There are increasing numbers of people who are waiting for a package of care and at generally higher volumes. There is care home capacity but due to outbreaks and staffing challenges this is becoming more of an issue. | Amber | Performance monitoring of contract maintains high vigilance and actions | Green | Weekly whole system escalation call. manages risk and agrees actions | Green | Strength based approach to reduce demand |
| | | Green | Rigorous review and prioritisation of people waiting for care ensures appropriate contingencies are in place to ensure safety | Amber | Work with providers to address capacity issues | Green | Capacity shortfalls being covered through the use of agency staff to backfill short term services c.a. 5,000 hours p.w. | Green | Block contract arrangements to cover winter pressures in place with the independent sector |
| | | Red | Love Care campaign will over the medium-term help with recruitment and retention issues (medium term initiative) | | | | | | |
| CSLT-CH1 - The council fails to meet its Care Act market sufficiency duty for care homes | 25 : Very high | Risk Description: (currently under review / to be updated by the service area) | | | | | | | |
| | | Summary of Controls and Mitigations:- | | | | | | | |
| | | Amber | Additional funding requirements included in the Medium-Term Financial Plan | Green | Short term funding available via IPC/RT grants and COMF funding bids | Red | LoveCare supporting workforce initiatives (ESF training/recruitment campaign/national campaign to get a fair pay deal for staff). (Current status - medium term impact). | Amber | NHS recruitment and active partnership with care homes |

Appendix A – An extract of a sample of some of the Highest Rated Risks Based on Current (Mitigated) Risk Score.

| Risk Title | Current Risk Score | Controls and Mitigations | | | | | |
|--|--------------------|--|---|-------|---|-------|--|
| | | Amber | Care homes fee model and placement process to be reviewed | Red | Considering capital investment to create additional capacity in the market and / or preventing further loss of capacity. (Medium-term initiative) | Amber | Conversations with providers new to the Devon area to secure block purchase of beds in new developments. |
| CSLT-CH4: Adverse impact of cost of living increases on the Care Home market | 25 : Very high | <p>Risk description: Cause - Sustained increases in the headline rate of inflation.</p> <p>Event - The increase in the energy cap from April 2022 will result in significant increases in the costs of electricity and gas adversely impacting the cost bases of buildings-based care providers. This position will be further exacerbated by the war in Ukraine which is resulting in further increases in costs and potential disruption to future supply. In addition, the headline rate of inflation is increasing adding additional cost pressure on essential commodities, e.g. food. The recently agreed inflationary uplift in fee rates for 2022-23 whilst based on the RPI makes no allowance for further in-year inflationary pressures.</p> <p>Impacts - Increasing cost pressures on buildings-based providers may result in financial instability and lead to:</p> <ul style="list-style-type: none"> • Further funding requests from providers either individually or collectively • Increasing fee rates • Provider failure • Market instability • Market insufficiency <p>Provider failure will result in the need to re-provision care home placements for service users which could lead to increased frailty and vulnerability adversely impacting on health and social care needs. In addition, care management capacity will need to be redirected to support the re-provisioning of placements adversely impacting on assessment, review and safeguarding capacity.</p> <p>Summary of Controls and Mitigations:-</p> | | | | | |
| | | Red | Care Home whole fee and fee model review (Care Homes Programme) | Amber | Market Management Team support to the market to understand impact of 'cost of living' increases | | |

Appendix A – An extract of a sample of some of the Highest Rated Risks Based on Current (Mitigated) Risk Score.

| Risk Title | Current Risk Score | Controls and Mitigations | | | |
|---|--------------------|---|--|-------|--|
| CSLT-D8 – ASC Charging Reform: capability to deliver the requirements of the Government's 'People at the heart of care' social care charging reform | 25 : Very high | Risk description: <i>Subject to review by the Service area in light of Government policy/legislative change</i> | | | |
| | | Green | Summary of Controls and Mitigations:- Reform Board has been established and is providing the governance framework for this area of activity | Amber | Project Plan has been developed, which identifying the skills and resource requirements to deliver proposals |

| Risk Title | Current Risk Score | Controls and Mitigations | | | | | | | |
|---|--------------------|--|--|-------|---|-------|---|-------|---|
| OSLT-CM8 – Safeguarding Adults at Risk with Care and support needs. | 25 : Very high | Risk Description: Increasing demand, capacity, and high risk/complexity pressures within and across the whole of the safeguarding adult system . | | | | | | | |
| | | Summary of Controls and Mitigations:- | | | | | | | |
| | | Green | Additional short-term investment in additional safeguarding capacity as part of pandemic response. | Green | Increased revenue budget provision 2022-23 to sustain additional safeguarding capacity. | Green | Safeguarding Adult Hub Escalation protocol operated at times of high waiting list numbers to reduced waiting list in the Safeguarding Adult hubs. | Green | Safeguarding Adult hubs regularly review safeguarding adult concerns that are on the waiting list, to reassess risk and priority. |

| Risk Title | Current Risk Score | Controls and Mitigations | | | | | | | |
|---|--------------------|--|---|-------|---|-------|---|-------|--|
| OSLT-CM1 Failure of the Authority to meet its statutory obligations under The Deprivation of Liberty Safeguards (DoLS) | 24: Very High | Green | Safeguarding Adult hubs regularly review safeguarding adult concerns and for those concerns with an identified CHSCT involved worker these are passed directly to the CHSCTs to triage and take action. | Green | Workforce and recruitment lead has been appointed to specifically focus on the recruitment of registered professionals. Regular reports are being developed and distributed around workforce pressures and a current action plan outlining the work of the workforce and recruitment lead is available. | Green | Working group set up from the Practice Working Group to develop supportive guidance for managers on managing workload pressures to support decision making. | Green | Developing TDSAP multi-agency agreed practice guidance for professional referrers to support decision making on when to refer safeguarding concerns pertaining to unwitnessed falls; resident on resident altercations; medication errors. |
| | | <p>Risk Description: Cause - 2014 Supreme Court judgement P v Cheshire West and Chester Council and P & Q v Surrey County Council" lowered the threshold for what amounts to a deprivation of liberty. Individuals who lack capacity in relation to their care, treatment and place of residence and are subject to continuous supervision and control, not free to leave their care setting and the care is imputable to the state, are deprived of their liberty.</p> <p>Event - Greater numbers of individuals likely to be experiencing a deprivation of their liberty than pre-Supreme Court ruling. Without assessment and authorisation under DoLS or applications to the Court those individuals are unlawfully deprived and not able to easily access safeguards such as Advocacy, regular review and independent oversight by specialist assessors and appeal to the Court.</p> <p>Impacts - The Council fails to meet its statutory obligations regarding the application of The Deprivation of Liberty Safeguards (DoLS) and Community Deprivations of Liberty. As a result, individuals are put at unacceptable risk of Human Rights breaches, overly restrictive practices and a lack of legal recourse to appeal to the Court of Protection. An inability to assess High Risk cases where</p> | | | | | | | |

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| Risk Title | Current Risk Score | Controls and Mitigations | | | | | | | |
|------------|--------------------|--|---|-----------|---|-------|--|-----|---|
| | | the individual / family are objecting and cases which require recourse to the Court. Potential for high level fines / financial and reputational damage to the Organisation. | | | | | | | |
| | | Summary of Controls and Mitigations:- | | | | | | | |
| | | Green | CLT approved Prioritised plan remains in place to address both residential/nursing/hospital and community deprivations. | Completed | 1-year additional funding provided in 2018 was highly successful with the completion of 1000 additional assessments. This reduced the risks associated with the high waiting list. The impact of this mitigation as of 2022 is significantly reduced. Ongoing year on year additional resource would be required to maintain the performance levels attained during the project period. | Green | Limited Temp BIA use to maximise the opportunities to ensure individuals subject to existing Dol orders from the court are reviewed by the service and back with the Court within timescales | Red | Future mitigation: Mental Capacity Amendment. The Liberty Protection Safeguards will replace DoLS and Community Dol process. Providing a one system approach to authorising a deprivation of liberty. |
| | | Red | LPS Project / implementation Board in place reports provided to Scrutiny and CHLT outlining significant changes and Risk / cost implications. Updates provided as required or as new risk becomes apparent. | | | | | | |

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| Risk Title | Current Risk Score | Controls and Mitigations | | | | | | | |
|---|--------------------|--|--|-------|---|-----|---|-----|--|
| CSLT-D1 - Changes in demand for services post-pandemic destabilise the market for adult social care | 24: Very High | <p>Risk Description: Cause - The global Covid 19 pandemic resulted in a higher than usual level of deaths in care homes (albeit at a much lower level than most of the country) and also in the older population in general.</p> <p>Event - Heightened news coverage of care home infections and fatalities has resulted in families being reluctant to place their loved ones in these settings. In addition, people in receipt of personal care in their own homes were reluctant to maintain services for of contracting the infection, although this has now reversed. With more informal care available due to people being furloughed coupled with temporary financial packages to stabilise the market place these arrangements have been sustainable in the short term.</p> <p>Impact - Future demand for services remains unknown, but it is likely that the consequences of the media portrayal of care home outbreaks will result in fewer residential care home placements with care through the front door being the favoured choice. This therefore has the potential to destabilise the care homes market due to the non-financial viability of homes. It also places increased strain on an already pressurised personal care market, which is already being seen in the number of much larger packages of care that are being requested. Day services are badly impacted, with many either unable to reopen in the short term or needing to change their business model, with attendant increased demand in other sectors. Supported Living environments are also under pressure due to reduced activity and risk of infection transmission. Providers are reporting wider impact of Covid e.g. on availability of and cost of insurance. There will be further pressure on prices for this, PPE and other business costs.</p> <p>Summary of Controls and Mitigations:-</p> | | | | | | | |
| | | Amber | Develop an understanding of demand for care home and personal care placements during the pandemic (January to June). | Amber | Scenario planning to understand the likely impact of future demand on the market. | Red | Revised requirements to be included in the Market Position Statement refresh and Sufficiency Assessment due in September. | Red | On-going market management work to reshape market to meet future requirements. |
| | | Red | Future demand modelling required, accounting for (where possible) potential impact of any future phases of Covid-19 | | | | | | |

Details on mitigations controls relating to risk OSLT-D4 are subject to input by the service area. Additional Adult Social Care high scoring risks can be viewed via the Power BI dashboard, including the risk relating to Preventable death, injury or serious harm to an adult at risk as a result of institutional abuse.

Children's Social Care

| Risk Title | Current Risk Score | Controls and Mitigations | | | | | | | |
|--|--------------------|---|---|-----|---|-----|--|-------|---|
| Insufficient capacity of the High Needs Block to meet demand | 24: Very High | Risk Description: Due to the ongoing HNB deficit budget and changes in the SEND Code of Practice including age range, Element 3 payments to maintained schools, cost of independent sector places and increases in capacity for Special Schools, funding remains insufficient to meet the demand to deliver the statutory requirements, resulting in reduced SEND outcomes for 0-25, reputational damage including fault found by Ombudsman, and legal challenges through SENDIST. Summary of Controls and Mitigations:- | | | | | | | |
| | | Amber | A reduction in placements in the Independent sector, (management action has set a target to reduce by 40), achievement of this target is adversely affected by statutory protection given to parental preference. This is not being achieved - more and more demand for specialist placements exists - all maintained special schools places are full as of August 2018. Mitigating control is now looking at cost management in this sector. | Red | Quality assurance of provision and strategic market management. Good QA processes in place - recently confirmed in Independent review of EHCP policy and process. | Red | Capping of element 3 payments, Practice is implemented in mainstream schools, completion date of Dec 2018 planned. | Amber | Increased capacity in maintained special schools. Forward plans proposed in SEN Strategic Review, additional capacity added over 130 places in last two years |
| | | Green | New Special School settings to be agreed. Free school (Glendinning House) start date postponed by DfE to Sep 2020. New school (ACE | Red | Cost analysis of Independent sector placements to achieve value for money in contracts with | Red | Review of options for specialist units in mainstream schools to avoid Independent placements | Amber | HNB Task Group looking at moderation and consistent models of funding |

| Risk Title | Current Risk Score | Controls and Mitigations | | | | | | | |
|--------------------------------------|--------------------|--|--|-------|--|-------|--|--|------------------------|
| Page 141 | | | Tiverton) agreed opening Sep 2019 with additional 30 places rising to 72 over next three years. New special SEMH School in Okehampton - 100 places for KS1 to KS4, planned opening Sep 2022 New special school in South Hams ASC with SEMH (in partnership with Plymouth). 140 places for aged 7 to 16. Date to be agreed with DfE | | providers. Block contracting arrangements with preferred providers under discussion in Summer 2019 | | | | independent placements |
| | | Green | New special school places funded through agreed corporate budget to increase places available within state funded sector to reduce future placements in Ind sector - 300 places to be created over 5 years from Sep 2020 | Amber | Request to transfer funding from Schools Block to HNB to implement central outreach and support services to mainstream schools to increase confidence in mainstream sector and reduce need for specialist provision. | Green | SEND 100 Projects to reduce demand for EHCPs and demand for change of placements | | |
| SC1: Education and Learning Services | 24: Very High | Risk Description: Continued growth in SEN number leading to increased costs for home to school transport (which is a statutory duty). This could lead to a budget overspend which would need to be absorbed within the Education and Learning Core budgets, reducing the ability to deliver other services and initiatives. Summary of Controls and Mitigations:- | | | | | | | |

Appendix A – An extract of a sample of some of the Highest Rated Risks Based on Current (Mitigated) Risk Score.

| Risk Title | Current Risk Score | Controls and Mitigations | | | | | | | |
|---------------------|--------------------|--------------------------|---|-------|--|-------|--|-----------|--|
| budget availability | | Amber | Management actions within TCS including route analysis and efficiency savings. Target for 2017/18 met but overspend remains due to ongoing SEN transport costs. | Green | TCS monitoring and regular review across all areas of spend to identify potential problems and overspend | Green | Policy regularly reviewed and adjusted to reduce areas of discretionary spend. Revised Post 16 Policy phased in from September 2017. | Completed | Actions were identified through corporate transport project board which have been implemented. |
| | | Amber | Growth and market forces build into budget preparation and planning | Green | Additional budget allocated for 2020/21 with ongoing monitoring and growth predictions | Amber | Review of budget for 2021/22 taking into account continued growth in SEND transport request | | Budget setting for 2022/23 identified significant gap (£5.5million) - TCS will review networks to identify efficiencies to free up capacity and reduce costs - Relook at discretionary areas of policy and review of fee levels - Transport linked to wider review of EHCP and SEND processes with transports input into decision making processes - Longer term budget planning to take into account future financial years |

Appendix A – An extract of a sample of some of the Highest Rated Risks Based on Current (Mitigated) Risk Score.

| Risk Title | Current Risk Score | Controls and Mitigations | | | | | | | |
|-----------------------------------|--------------------|---|--|-----------|---|-----------|---|-----------|--|
| | | Amber | Additional network review officers in place for 2022/23 to increase output | Red | Savings target for 2022/23 increased to £1.3million but this will not impact on the budget deficit of £5.6million identified at the start of the financial year | | | | |
| Demand for Children’s Social Work | 24: Very High | Risk Description: Demand for statutory children's social work and cost of social care increases and cannot be met within available resources. | | | | | | | |
| | | Summary of Controls and Mitigations:- | | | | | | | |
| | | Completed | Development of Early Help offer to prevent needs from escalating. | Completed | Consideration of the impact and effectiveness of the relationship between Early Help and Social Care teams , including the MASH to be conducted. | Completed | Work with partners through the DCFP and MASH to reduce rates of referrals. | Completed | Market management, improved brokerage to ensure better value for money approaches. |
| | | Green | Edge of care' model introduced to reduce adolescent entrants to care. | Completed | Development of an 'edge of care approach alongside a revised Sufficiency Strategy. | Amber | Introduce Edge of Care service (May/June 2020). For implementation November 2020. | | |

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Additional Children's Services high scoring risks can be viewed via the Power BI dashboard, including the risk relating to Death or Serious Injury to a Child or Young Person.

Impact Assessment Guide

| | Health & Wellbeing | Service Users | Stakeholders | Reputation | Performance / quality standards | Legal | Financial | Pensions & Investments |
|--------------------------|--|--|--|---|---|---|---------------|------------------------|
| 1 Negligible | Insignificant impact on public's health and wellbeing. Very small number of the population affected. | Minimal impact or service disruption to customers. Contained within service area. | Affects only 1 group of stakeholders | Minimal and transient loss of public trust. Contained within the individual service area. | No impact on local standards. | No legal action is anticipated. | Under £25,000 | Under £100,000 |
| 2 Minor | Minor impact on health and wellbeing affecting a small number of the population. Likelihood of fatalities is negligible. | Minor impact to customers and customer. Limited service disruption. | Affects more than 1 group of stakeholders | Slight loss of trust with no lasting impact. Little adverse publicity. | Failure to meet local standards. | Tribunal / DCC legal team involvement required (potential for claim). | £25,000-£100k | £100k - £1m |
| 3 Moderate | Significant impact on health and wellbeing affecting a large number of the population. Fatalities not anticipated. | Moderate impact to customers and customer. Moderate service disruption. | Affect 2-3 groups of stakeholders | Moderate loss of trust that receives significant adverse publicity locally with no lasting impact. | Failure to meet national standards. | Defensible legal action anticipated. | £100k - £1m | £1m - £10m |
| 4 Major | Significant impact on health and wellbeing affecting large number of the population. Fatalities are anticipated. | Significant impact to customers and customer. Threat of legal action | Affects 4-5 groups of stakeholders | Significant loss of trust and receives local media attention with potential for lasting impact. | Failure to meet professional standards / statutory requirements | Criminal prosecution anticipated and or civil litigation (1 person). | £1m - £10m | £10m - £100m |
| 5 Catastrophic | Large impact on health and wellbeing affecting a very large number of the population. Multiple fatalities are anticipated. | Major service disruption. Significant customer opposition. Legal action. Long term public memory | Affects more than 5 groups of stakeholders | Significant loss of trust and receives national media attention with potential for persisting impact. | Sustained failure to meet professional standards or statutory requirements. | Criminal prosecution anticipated and or civil litigation (>1 person). | >£10m | >£100m |

1. Choose the relevant columns and note the closest description of potential impact.
2. Then use the score from the most relevant column. For example, if there may be a high financial impact, but the initial impact may be loss of life, choose the Health and Wellbeing Score.

See Accompanying PowerPoint document or click on the version embed below. The [Live link](#) is also in the body of the report above.

Note – This is a point in time extract, not a reflection of the data as it will be at the time of accessing via PowerBI.



Audit Committee
dashboard.pdf

*Please note that the data contained within the above pdf extract is representational. Please view the Power BI link for full risk information.
The Power BI dashboard is subject to update including to reflect DCC Structure changes.*

