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To: The Chair and Members  
of the Audit Committee

County Hall  
Topsham Road  
Exeter  
Devon  
EX2 4QD

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Date: 17 November 2023

Contact: Wendy Simpson, 01392 384383

Email: [wendy.simpson@devon.gov.uk](mailto:wendy.simpson@devon.gov.uk)

### **AUDIT COMMITTEE**

Monday, 27th November, 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 25 September 2023 (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 Devon Pension Fund - Audit Findings (Pages 1 - 34)

Report of Grant Thornton, attached.

5 Devon County Council Audit Progress and Sector Update (Pages 35 - 56)

Report of Grant Thornton, attached.

6 Internal Audit Update (Pages 57 - 86)

Report of the Director of Finance and Public Value (FPV/23/118), attached.

7 Risk Management Update (Pages 87 - 102)

Report of the Director of Finance and Public Value (FPV/23/117), attached.

8 Counter Fraud Update (Pages 103 - 114)

Report of the Director of Finance and Public Value (FPV/23/118), attached.

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

9 Exclusion of the Press and Public

Recommendation: that the press and public be excluded from the meeting for the following items of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act, namely information relating to the financial or business affairs of the County Council and, in accordance with Section 36 of the Freedom of Information Act 2000, by virtue of the fact that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

10 IT Asset Management (Pages 115 - 128)

Report of the Director of Finance and Public Value (FPV/23/116), attached.

*Members are reminded that Part II Reports contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). They need to be disposed of carefully and should be returned to the Democratic Services Officer at the conclusion of the meeting for disposal.*

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**Induction Loop available**



# The Audit Findings Report for Devon Pension Fund

**Year ended 31 March 2023**

13 November 2023

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Agenda Item 4

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## Your key Grant Thornton team members are:

### Peter Barber

Key Audit Partner

E peter.a.barber@uk.gt.com

### David Bray

Senior Manager

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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 have been discussed with management.

Name: Peter Barber  
For Grant Thornton UK LLP  
Date: 13 November 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 Pension Fund 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 Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

## Financial Statements

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:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have 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.

We commenced our post-statements audit in June 2023 and as at 13 November 2023 our audit is substantially complete. This year we undertook the audit remotely utilising a pooled pension team across our 5 Local Government Pension Fund audits in the South West. Our findings are summarised on pages 5 to 17.

Changes to the national timetable brought forward the accounts production date from 31 July 2022 (in 2021/22) to 31 May 2023. The Pension Fund's draft financial statements were provided to us on 29 June 2023, in advance of our post-statements audit.

The financial statements were prepared to a good standard and were supported by good quality working papers. Once again the work required to discharge our responsibilities has increased. This additional work reflects the continuous raising of the bar and us as auditors providing greater challenge to the Pension Fund especially in the areas subject to greatest estimation and uncertainty.

We have identified no material errors or adjustments to the financial statements and there are no matters arising to date that would require modification of our audit opinion. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

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.

Subject to a small number of audit procedures being completed, we anticipate issuing an unqualified audit opinion on the Pension Fund financial statements; please see Appendix G for our proposed audit opinion.

We will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of Devon County Council, the Administering Authority for the Pension Fund, is complete. We expect the final Audit Findings Report and financial statements to be considered at the Audit Committee meeting in February 2024.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements and we expect to be in a position to issue this alongside our opinions on the financial statements of Devon County Council and Devon Pension Fund.

We will issue a final Audit Findings Report on the conclusion of our work.

# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 1% (5 of 467) of local government bodies had received audit opinions in time to publish their 2022/23 accounts by the deadline of 30 September 2023. Although the Devon Pension Fund 2022/23 audit is nearing completion, we are unable to issue our opinion until we have issued our opinion for the administering body, in Devon Pension Fund's case, Devon County Council, which is anticipated in early 2024.

We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Pension Fund for their support in working with us to get to the current state of completion by this point.

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## Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26.

For the Pension Fund, the valuation was undertaken by Barnett Waddingham, and showed that the Fund had assets sufficient to cover 98% of the accrued liabilities as at 31 March 2022, which has increased from 91% at the 2019 valuation. The results of the latest triennial valuation are reflected in Note 22 to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample of 50 and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

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# 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.

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.

For Devon Pension Fund, the Audit Committee of Devon County Council fulfils the role of those charged with governance.

The Investment and Pension Fund Committee considers the draft financial statements and is part of the overall Member oversight process.

## Audit approach

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

- An evaluation of the Pension Fund'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 Devon County Council's Audit Committee on 25 September 2023.

## Conclusion

We have substantially completed our audit of your financial statements and subject to a small number of outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the completion of the Devon County Council audit.

These outstanding items include:

- completion of our journals testing – please see page 7;
- review of management responses to our draft IT – please see pages 10 and 13;
- completion of the final key audit partner review;
- receipt of management representation letter – please see page 14;
- receipt and review of the final version of the 2022/23 financial statements; and
- receipt and review of the Pension Fund's final Annual Report for 2022/23 – please see page 17.

## Acknowledgements

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

## 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 25 September 2023. We set out in this table our determination of materiality for the Pension Fund.

	Pension Fund Amount	Qualitative factors considered
Materiality for the financial statements (headline)	£66.4m	We considered the proportion of net assets to the Fund to be an appropriate benchmark for the financial year. This is approximately 1.25% of your gross assets as at 31 March 2023.
Performance materiality	£46.4m	We have determined this using 70% of headline materiality. In prior years we have identified issues with regards to journals controls and also there were unadjusted errors with the 21/22 accounts which arose due to timing differences. In addition, the management and finance team remain stable.
Trivial matters	£3.3m	This is based on 5% of headline materiality, which we consider to be an appropriate threshold to use in terms of our reporting to the Audit Committee as 'Those Charged with Governance'.
Materiality for fund account	£24.5m	Due to the sensitivity of the fund account disclosures to those stakeholders who are admitted members of the Fund, we have determined a lower materiality threshold over the relevant fund account disclosures. This is approximately 10% of the fund's expenditure in the year to 31 March 2023.



## 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
<p><b>Management override of controls</b></p> <p>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. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design and implementation of management controls over journals</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>identified potentially unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li> <li>tested the potentially unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our approach to the testing of journals in 2022/23 reflected the control deficiencies reported in 2021/22. (Please also see the follow-up of prior year recommendations on page 23).</p> <p>Our work in this area is still in progress and we are awaiting corroborating evidence from management to support a number of the journals posted relating to 2022/23.</p> <p>There are no matters that we wish to report to the Audit Committee based on the work undertaken to date.</p>

# 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
<p><b>Valuation of Level 3 investments</b> The Fund revalues its investments on an annual basis at the year end to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated management's processes for valuing Level 3 investments;</li> <li>• reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure that the requirements of the Code are met;</li> <li>• independently requested year-end confirmations from investment managers and custodians;</li> <li>• for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2023 with reference to known movements in the intervening period; and</li> <li>• in the absence of available audited accounts, we evaluated the competence, capabilities and objectivity of the valuation expert.</li> </ul> <p>Our work in this area is complete and there are no concerns we wish to bring to the Audit Committee's attention. However, we note the following:</p> <ul style="list-style-type: none"> <li>• Our testing did identify some trivial valuation differences within individual valuations, although these were often due to timing differences – for example, the investment's financial statements may be up to 31 December 2022 whereas the Pension Fund is reporting to 31 March 2023.</li> <li>• There was one investment (£16.6m) where audited financial statements were not available and so we reviewed the service auditor report. Overall, we are satisfied this investment is not materially misstated.</li> </ul>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Improper revenue recognition (rebutted)	<p>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 the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Devon Pension Fund, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We therefore did not consider this to be a significant risk for Devon Pension Fund when producing our audit plan.</p> <p>We have reconsidered our original assessment as part of our audit work on the Pension Fund's financial statements and are satisfied that this rebuttal remains appropriate.</p>
Improper expenditure recognition (rebutted)	<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".</p> <p>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 Pension Fund because:</p> <ul style="list-style-type: none"> <li>• expenditure is well controlled and the Fund has a strong control environment; and</li> <li>• the Fund has clear and transparent reporting of its financial plans and financial position to those charged with governance.</li> </ul> <p>We therefore did not consider this to be a significant risk for Devon Pension Fund when producing our audit plan.</p> <p>We have reconsidered our original assessment as part of our audit work on the Pension Fund's financial statements and are satisfied that this rebuttal remains appropriate.</p>

## 2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p><b>IT Audit</b></p> <p>Our IT auditors have assessed the IT arrangements in place at the County Council (as administering body for the Pension Fund) and the Pension Fund itself.</p>	<p>The original set-up meeting for this work was on 4 August 2023 although there were delays in providing the required information to us.</p> <p>At the time of writing, management have provided a response to our draft report and our IT auditors are reviewing this. Once this report and the findings therein have been agreed, we will assess whether or not there are any implications for our audit.</p>	<p>To be confirmed on finalisation of IT report.</p>

# 2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p><b>Level 3 Investments – £687m</b></p>	<p>The Pension Fund has investments in a range of areas that in total are valued on the net asset statement as at 31 March 2023 at £687m (PY: £463m). These investments include UK and Overseas Unit Trusts (Venture Capital and Partnerships).</p> <p>These investments are not traded on an open exchange or market and the valuation of the investment is highly subjective due to a lack of observable inputs. Note 19 to the Pension Fund's financial statements sets out the basis of the valuations for the Level 3 investments.</p> <p>In order to determine the value, management has employed expert fund managers and other advisors who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>reviewed management's assessment and estimation process for level 3 investments and consider it to be robust;</li> <li>assessed the estimates provided for level 3 investments and tested the validity of the assumptions;</li> <li>assessed the adequacy of management's experts;</li> <li>tested the appropriateness of the underlying information used to determine the estimate;</li> <li>reviewed the consistency of the estimate against industry practice and previous audit work;</li> <li>tested the reasonableness of the increase in the estimate; and</li> <li>reviewed the reasonableness of the sensitivities disclosed in the estimates section of the accounting policy.</li> </ul> <p>As noted on page 8, our testing identified some trivial valuation differences within individual valuations, although these were often due to timing differences – for example, the investment's financial statements may be up to 31 December 2022 whereas the Pension Fund is reporting to 31 March 2023.</p> <p>Our work in this area is complete and there are no concerns we wish to bring to the Audit Committee's attention.</p>	<p>Light Purple</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: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Level 2 Investments – £4,564m</b>	<p>The Pension Fund has investments in a range of areas that in total are valued on the net asset statement as at 31 March 2023 at £4,564m (PY: £4,882m). These investments include pooled property funds and other managed funds.</p> <p>The investments are not directly traded on an open exchange / market as they may be restricted, for example, to Pension Funds that sit within the Brunel arrangement. The valuation of these investments is subjective, although valuations are based on observable inputs and so are not as subjective as Level 3 investments.</p> <p>Note 19 to the Pension Fund's financial statements sets out the basis of the valuations for the Level 3 investments.</p> <p>In order to determine the value, management has employed expert fund managers and other advisors who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>reviewed management's assessment and the estimation process for level 2 investments and consider it to be robust;</li> <li>assessed the estimates provided for level 2 investments and tested the validity of the assumptions;</li> <li>assessed the adequacy of management's experts;</li> <li>tested the appropriateness of the underlying information used to determine the estimate;</li> <li>reviewed the consistency of the estimate against industry practice and previous audit work;</li> <li>tested the reasonableness of the changes in the estimate; and</li> <li>reviewed the reasonableness of the sensitivities disclosed in the estimates section of the accounting policy.</li> </ul> <p>Our audit work has not identified any issues in respect of the valuation of Level 2 investments</p>	Light Purple

### 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



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## 2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

As noted on pages 3 and 10, our IT auditors have assessed the IT arrangements in place at the County Council (as administering body for the Pension Fund) and the Pension Fund itself.

At the time of writing, management have provided a response to our draft report and our IT auditors are reviewing this. Once this report and the findings therein have been agreed, we will assess whether or not there are any implications for our audit.

## 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
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with management and the Chair of 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.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	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.
<b>Written representations</b>	A letter of representation has been requested from the Pension Fund, which is included in the supporting Committee papers. This will need to be signed on completion of audit of Devon County Council's financial statements for the year ended 31 March 2023.
<b>Audit evidence and explanations</b>	All information and explanations requested from management was provided.

## 2. Financial Statements: other communication requirements



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Issue	Commentary
Confirmation requests from third parties	<p>We requested permission from management to send confirmation requests to the Pension Fund's custodian, fund managers and investment managers.</p> <p>This permission was granted and the requests were sent.</p> <p>All requested information that is available has now been provided, although we did experience some delays as, initially, audited financial statements for some investments had not been published.</p> <p>As noted on page 8, there was one investment (£16.6m) where audited financial statements were not available and so we reviewed the service auditor report. Overall, we are satisfied this investment is not materially misstated.</p>
Accounting practices	<p>We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.</p>

Agenda Item 4

## 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).

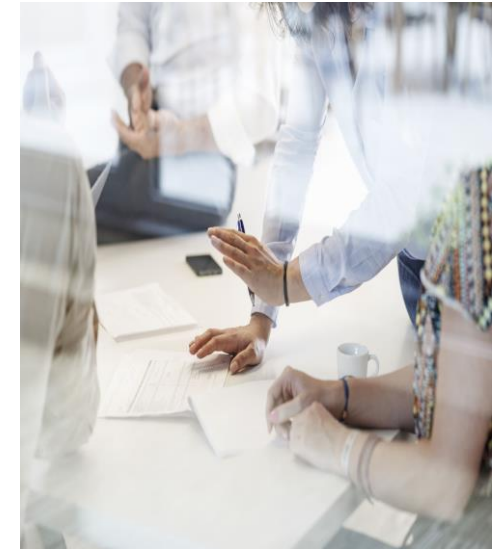
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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The 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>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul> <p>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 Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Pension Fund and the environment in which it operates</li> <li>the Pension Fund's financial reporting framework</li> <li>the Pension Fund's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>The Pension Fund is administered by Devon County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.</p> <p>No inconsistencies have been identified within the draft financial statements and we plan to issue an unmodified opinion in this respect – refer to Appendix G.</p>
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</p> <p>Due to statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2023 and therefore this report has not yet been produced.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p>

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# 3. 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 and consider that an objective reasonable and informed third party would take the same view. 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

We confirm there were no fees for the provision of audit-related or non-audit services. Please note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Please see Appendix E for further information.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we 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 E.

## 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 [Grant Thornton International Transparency report 2023](#).

# 3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for future non-audit services and we confirm there were no fees for the provision of audit-related or non-audit services.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Audit opinion



# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
Statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

## Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

# B. Action Plan – Audit of Financial Statements

We have identified [X] recommendations for the Pension Fund 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 2023/24 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
	[...]	[...] Management response [...]
	[...]	[...] Management response [...]

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**Controls**

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

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Devon Pension Fund's 2021/22 financial statements, which resulted in two recommendations being reported in our 2021/22 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	The Head of Investments prepares the journals for the investment balances and send the details to the Senior Accountant (Strategy) to be posted on the system. The Head of Investments then authorises the journals that have been posted, meaning that these journals are in effect being self-authorised. This is a significant control weakness as it represents management override of controls.	<p>We recommended that the Pension Fund should introduce appropriate controls for its investment journals that originate from the Investments database, ensuring that there is appropriate segregation of duties between the originator of the journal and the approver.</p> <p>Management have advised that, for 2022/23, investment journals that originate from the Investments database were prepared by the Investment Team, input by the Pension Fund Accountant and authorised by the Head of Investments.</p> <p>As noted on page 7, our work in this area is still in progress. We will incorporate our findings in the final version of our Audit Findings Report.</p>
TBC	As previously reported in 2020/21, there are inadequate controls over the use of the "200" IDs used by two senior officers to post and approve journals over £200k.	<p>We recommended that 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.</p> <p>Management have advised that there were no instances where "200"USERID's have been used to approve any Pension Fund journal during the reporting period ending 31 March 2023.</p> <p>As noted on page 7, our work in this area is still in progress. We will incorporate our findings in the final version of our Audit Findings Report.</p>

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## Assessment

- ✓ Action completed
- X Not addressed

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# D. 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

As noted on page 3, we have not identified any adjustments to the financial statements that resulted in an adjustment to the Pension Fund's reported financial position.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure change identified during the audit.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Page 24 Statistical Summary	<p>The Members summary in Note 1 to the financial statements has the same figures for both 2022/23 and 2021/22.</p> <p>This note needs to reflect the actual numbers of contributors and pensioners for each financial year.</p> <p><b>Management response</b></p> <p>This matter has been adjusted in the current version of the statement of accounts on the Council's website. The original disclosure reported the statistical summary provided by the Actuary in the IAS 26 report and reflects membership used in the latest funding valuation and roll forward at 31 March 2023.</p>	✓

## Impact of unadjusted misstatements

There are no unadjusted misstatements.

# D. 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 2021/22 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Due to the timing of fund manager reports the Fund has used the most recent information available for level 3 investments, which in some cases is the valuation report dated 31 December 2021. As part of our audit procedures we have reviewed the 31 March 2022 reports that were available at the time of audit, after the draft financial statements were submitted. This work highlighted that the value of these investments had increased by £12.5m and therefore that the estimate as at the 31 March 2022 was understated by this amount. We have reported this as an unadjusted misstatement but recognise that the draft financial statements were produced using the most up to date information.	12,534	12,534	12,534	The difference is immaterial, and relates to a timing difference in the availability of information.
A number of level 2 investments had differences in valuations at 31 March 2022 due to timing of audited financial statements or other trivial differences.	8,825	8,825	8,825	The difference is immaterial, and relates to a timing difference in the availability of information.
<b>Overall impact</b>	<b>£25,172</b>	<b>£25,172</b>	<b>£25,172</b>	

## E. Fees and non-audit services

We set below our proposed fees for the audit and confirm there were no fees for the provision of non audit services for 2022/23. The final fee will be included in our concluding Audit Findings Report once the outstanding work on page 5 has been concluded. The Audit Committee should note the potential for additional work arising from our IT audit as noted on pages 10 and 12.

Please see page 27 regarding the non audit services undertaken in 2021/22.

Audit fees	Proposed Fee 2022/23
Devon Pension Fund Scale Fee set by PSAA	25,419
Proposed fee variations Per Audit Plan	14,750
<b>Core Pension Fund Audit per Audit Plan</b>	<b>40,169</b>
IAS 19 letters for employer body auditors*	21,400
Work on triennial valuation member data*	5,000
Re-issued IAS 19 letters for 2021/22 (£1,000 per admitted body)*	8,000
<b>Total audit fees per Audit Plan (excluding VAT)</b>	<b>£74,569</b>

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\*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work. Please see page 27 for details of the fees for this work in 2021/22 and the safeguards in place.

The estimated fees disclosed in Note 11 of the Pension Fund's financial statements are £47,000 plus a further £26,400 for the IAS 19 letters and the additional work on the triennial valuation member data which the Pension Fund will re-charge to the admitted bodies.

The fees in Note 11 are estimated as the draft financial statements were prepared in advance of the production of our audit plan. The financial statements clearly disclose this fact.

The £47,000 estimated fees in Note 11 the financial statements are as follows:

PSAA Scale Fee (£24,000)

2020/21 fee variation (£13,000)

'Minor charges'\*\* (£10,000)

\*\* This is the terminology used in the Pension Fund's financial statements.

# E. Fees and non-audit services

## Audit and non-audit services

As set out on the previous page, fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23.

The fee for this work in 2021/22, as reported in that year's Audit Findings Report, was £19,000 and this was invoiced in November 2022.

We set out below the threat to our independence and safeguard that has been applied to mitigate this threat.

Service	Fees £	Threat identified	Safeguard
Non-audit Related			
IAS19 Assurance letters for Admitted Bodies	7,000	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 £19,000 in comparison to the expected 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.

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.



# G. Proposed audit opinion

Our proposed audit opinion is included below.

We anticipate we will provide the Pension Fund with an unmodified audit report. As set out on page 3, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of Devon County Council, the Administering Authority for the Pension Fund, is complete.

## Independent auditor's report to the members Devon County Council on the pension fund financial statements of Devon Pension Fund

### Opinion on financial statements

We have audited the financial statements of Devon Pension Fund (the 'Pension Fund') administered by Devon County Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance and Public Value's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

# G. Proposed audit opinion

In our evaluation of the Director of Finance and Public Value's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Director of Finance and Public Value's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Public Value with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the Statement of Accounts and Annual Governance Statement, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Director of Finance and Public Value is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts and Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

# G. Proposed audit opinion

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

## Responsibilities of the Authority and the Director of Finance and Public Value

As explained more fully in the Statement of Responsibilities set out on page 154, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Public Value. The Director of Finance and Public Value is responsible for the preparation of the Statement of Accounts and Annual Governance Statement, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Public Value determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Director of Finance and Public Value is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

## G. Proposed audit opinion

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

We enquired of management and the Audit Committee concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, accounting estimates and critical judgements made by management. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large and unusual journals and those posted by senior officers,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments and IAS 26 pensions liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the management override of controls and the potential for fraud in revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

# G. Proposed audit opinion

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014, and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Signature:

Peter Barber, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

### Date:



# Devon County Council Audit Progress Report and Sector Update

15 November 2023

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Agenda Item 5

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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 Authority 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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# Introduction

## Your key Grant Thornton team members are:

### Peter Barber

Key Audit Partner

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at November 2023

## Financial Statements Audit - Council

Since the last Audit Committee, we have completed our work on the Council's financial statements for 2020/21 and 2021/22. We issued an unqualified opinion on the Council's 2020/21 financial statements on the 25 October 2023 and an unqualified opinion on the Council's 2021/22 financial statements on the 2 November 2023.

We have not yet certified these audits as closed, as we are awaiting finalisation and issue of the Auditors Annual Report, which is pending discussion and agreement by the Council's senior management team.

We undertook our initial planning for the 2022/23 audit in September 2023, with the Audit Plan setting out our approach to discharging our responsibilities presented to the Audit Committee in September 2023. We are currently undertaking our audit work.

The results of our work on the significant risk areas to date are included in this report.

We will report our findings in our 2022/23 Audit Findings Report which we will look to share with officers in December 2023 and aim to give our opinion on the Statement of Accounts following the Audit Committee in February 2024.

## Financial Statements Audit – Pension Fund

As with the Council, we issued an unqualified opinion on the 2020/21 Pension Fund financial statements on the 25 October 2023 and an unqualified opinion on the 2021/22 Pension Fund financial statements on the 2 November 2023.

The 2022/23 Pension Fund Audit Plan was presented to the Audit Committee in September 2023. An interim 2022/23 Pension Fund Audit Findings Report is presented to this Committee setting out our findings to date.

We are unable to issue our opinion on the 2022/23 Pension Fund until we have given our opinion on the Council's financial statements.

## Value for Money

### 2020/21 and 2021/22

We issued our draft combined 2020/21 and 2021/22 Auditors Annual Report setting out our assessment of the Council's VFM arrangement to officers in September 2023. We are currently finalising this report with officers and will present this to the February 2024 meeting of the Audit Committee.

### 2022/23

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

The National Audit Office (NAO) have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 2022/23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN 03 and issue their Auditor's Annual Report when their work is complete.

For 2022/23 audits, the NAO have confirmed that where the Auditor's Annual Report cannot be issued by 30 September it should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies. We wrote to the chair of Audit Committee on 9 October 2023 outlining the delay and expected reporting timelines.

We anticipate issuing our 2022/23 Auditor's Annual Report by the end of February 2024.

# 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 work to date on 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.

In response to this risk, we have:

- 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 are testing 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.

In 2020/21 and 2021/22, we reported that we had identified a significant control weakness regarding the processes in place for some journals with a value above £200k.

Direct input journals into 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.

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 can 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.

The relevant Head Accountant should approve a \*\*\*\*200 journal before it is input into the system. This is via e-mail, rather than an automated function within the system which means that the authorisation process could be bypassed.

Any member of the finance team with journal access, can post a journal under a "200" ID. Although the journal does not record the username of the person inputting the journal, the finance systems manager can interrogate the system to identify the inputter, should the manual control be bypassed.

During the year, the Head Accountant, Strategy and Compliance runs reports listing these journals that have already been processed. This list is circulated to service line head accountants requiring confirmation that they have approved the journals. This is a manual control rather than an automated one but is designed to identify any journals which have been input without prior authorisation.

As we have previously reported, in our view, the manual nature of these controls represents a weakness in internal controls, as a result, we have assigned a higher risk to these journals and undertaken additional testing focussed on journals posted from these IDs.

Our testing of journals is ongoing. As in previous years, we will however report the process to support the authorisation of the '200' journals as a control issue in our Audit Findings Report.

# 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.

# Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Completeness of non-pay operating expenditure

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

Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:

"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.

We have rebutted this presumed risk for Devon County Council because:

expenditure is well controlled and the Council has a strong control environment;

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.

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

# 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 2023 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;
- 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; and
- are testing revaluations made during the year to see if they have been input correctly to the Council's asset register.

We are in the process of assessing and challenging the key assumptions used in determining the valuations including reviewing obsolescence rates for reasonableness, agreeing floor areas used to site plans, reviewing build costs against industry data for specialised assets. For non-specialised assets we are agreeing rents and market values to supporting evidence and yield values to industry data.

Our audit work to date has not identified any issues to date in respect of valuation of land and buildings.

# 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 (£262m 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 an approximate 1.5% 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 the 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.

We are currently awaiting 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.

A small number of clarification queries have been raised with the actuary and we are awaiting a response.

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

# Other areas

## Other areas

### Certification of claims and returns

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2021/22 return is now complete and we have begun work for 2022/23.

### Meetings

We met with Finance Officers in October as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

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### Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

### Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2022/23 is the fifth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.



# Audit Deliverables - Council

## 2022/23 Deliverables

### Audit Plan

We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report

**Planned Date**

September 2023

**Status**

Completed

### Audit Findings Report

The Audit Findings Report will be reported to the February Audit Committee.

February 2024

Not yet due

### Auditors Report

This includes the opinion on your financial statements.

February 2024

Not yet due

### Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

February 2024

Not yet due

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## 2022/23 Audit related Deliverables

### Teachers Pensions Scheme – certification

This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.

**Planned date**

November 2023

**Status**

Not yet due

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# Audit Deliverables – Pension Fund

2022/23 Deliverables	Planned Date	Status
<p data-bbox="98 491 241 520"><b>Audit Plan</b></p> <p data-bbox="98 539 1487 639">We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report</p>	September 2023	Completed
<p data-bbox="98 667 394 695"><b>Audit Findings Report</b></p> <p data-bbox="98 715 1167 743">An interim Audit Findings Report will be reported to the November Audit Committee.</p>	November 2023	Completed
<p data-bbox="98 770 315 799"><b>Auditors Report</b></p> <p data-bbox="98 818 797 847">This includes the opinion on your financial statements.</p>	February 2024	Not yet due

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

- an agreed approach to dealing with the backlog of local government audits
- Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)



# Current local audit deadline ‘unachievable’- Grant Thornton

Low capacity in council finance teams and the failure to deal with historic accounting issues mean the current September audit deadline is unlikely to be met.

The firm said the changes in recent years to council investment strategies have seen annual accounts become increasingly complex.

In evidence to a Public Accounts Committee inquiry, Grant Thornton said the increased workload and pressure on resources have complicated recruitment and compounded delays.

The auditors said it is unlikely firms will be able to meet the 30 September deadline for publishing opinions on 2022-23 financial statements, because they are still working on previous years' accounts.

The firm said one of the key issues causing delays is the lack of consensus over areas of audit focus, specifically over how land and buildings are audited.

“Too much audit resource is absorbed in dealing with longstanding financial reporting issues at poorly performing bodies,” the firm said.

In certain instances, audits are open as far back as 2017-18.

“Perhaps more importantly, there has not been enough debate with the sector on the purpose of local audit and the enhanced audit scrutiny it faces.

“This is particularly the case with the audit of property. Until these matters are resolved we do not consider that the September deadline is achievable.”



# Current local audit deadline ‘unachievable’- Grant Thornton(cont.)

Grant Thornton said that while audit firms can be sanctioned by the Financial Reporting Council for failing to comply with regulations, there are currently no punishments for public bodies that fail to meet requirements.

It said there should be interventions for audited bodies that show “significant failures in financial reporting and an unwillingness to improve”.

In its evidence the firm blamed a lack of council funding to bolster finance teams for a reduction in the quality of reporting, causing further delays.

“Unfortunately, the quality of too many financial statements and working papers are not adequate,” Grant Thornton said.

“Improvement in accounts preparation, and recruitment and investment in finance teams is essential if local government is to prepare consistently high-quality draft accounts and respond to the challenges presented by an enhanced audit regime.”

In December, local audit procurement body Public Sector Audit Appointments revealed that only 12% of local government audits for 2021-22 were completed by the 30 November deadline.

PSAA said that 630 opinions were outstanding from both 2021-22 and previous years, and the level of opinions completed on time has declined significantly from 45% in 2019-20.

Read the full report here

[committees.parliament.uk/writtenevidence/118580/pdf/](https://committees.parliament.uk/writtenevidence/118580/pdf/)



# DLUHC proposals to clear audit backlog

A range of proposals and actions to address the backlog of local audits in England has been set out by the Department for Levelling Up, Housing and Communities (DLUHC).

These include setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term.

The proposals have been agreed in principle with key partners across the local audit system, DLUHC said. The National Audit Office (NAO) is considering whether to develop a replacement Code of Audit Practice to give effect to the changes, the department added.

In addition, DLUHC is considering whether legislative change is needed to set new statutory deadlines **for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.**

**Legislative change may also be needed** to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years, the department said.

Under these proposals, section 151 officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time.

Read the full proposal here

[committees.parliament.uk/publications/40932/documents/199432/default/](https://committees.parliament.uk/publications/40932/documents/199432/default/)



# Call for sanctions for late accounts amid fears of ‘more Wokings - public accounts committee (PAC)

The Commons’ public accounts committee (PAC) published a report, [Timeliness of local auditor reporting](#), which highlights problems caused by the delays to local audit.

Just 12% of local government bodies received their audit opinions in time to publish their 2021-22 accounts by the extended deadline. The committee warned that the problem is likely to get worse before it gets better.

The report points out that there are no sanctions for failing to produce accounts on time, for either auditors or councils.

The PAC and others have been concerned about the implications of audit delays and Sir Geoffrey Clifton-Brown said cases like that of Thurrock Council and Woking Borough Council demonstrate why this issue needs to be addressed. Both councils had years of unaudited accounts when they declared themselves effectively bankrupt due to excessive levels of debt.





# Around 700,000 children are studying in schools that require major rebuilding or refurbishment works - NAO

The Department for Education has published guidance on school buildings which were constructed using reinforced autoclaved aerated concrete – a lightweight form of concrete prone to failure.

<https://educationhub.blog.gov.uk/2023/09/04/new-guidance-on-raac-in-education-settings/>

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The NAO also published a report this summer about the declining condition of the school estate. The UK's independent public spending watchdog's report found that more than a third (24,000) of English school buildings are past their estimated initial design life. These buildings can normally continue to be used, but are generally more expensive to maintain and, on average, have poorer energy efficiency leading to higher running costs.

In recent years, there has been a significant funding shortfall contributing to deterioration across the school estate. The department for Education (DfE) has reported £7 billion a year as the best practice level of capital funding to repair and rebuild the school estate.

The report says DfE has assessed the possibility of a building collapse or failure causing death or injury as a 'critical and very likely' risk since summer 2021. The report highlighted ongoing concerns with the use of reinforced autoclaved aerated concrete (RAAC) – used between the 1950s and mid-1990s. DfE has been considering the potential risk posed by RAAC since late 2018, following a school roof collapse.

Read the full report here

<https://www.nao.org.uk/press-releases/condition-of-school-buildings-and-dfe-sustainability-overview/>



# LGPS valuation gives ‘cause for optimism’ – Hymans Robertson

Many Local Government Pension Schemes are in a stronger position than three years ago to meet future member benefits, pension advisors have said following the most recent valuations.

Despite market instability brought on by Covid-19 and exacerbated by Russia’s invasion of Ukraine, the overall funding level rose to 107% of past service in March 2022, compared to 98.5% in 2019, Hymans Robertson said in a [report](#).

Analysts reviewed the triennial valuations of 73 of the 86 LGPS funds, and said that on average fund asset values rose by 27.5% up to March 2022.

Hymans Robertson said the better-than-expected funding outlook has prompted a reduction in employer contributions, from 21.9% of pay in 2019 to 20.8% in 2022.

Robert Bilton, head of LGPS valuations at Hymans Robertson, said: “Our analysis gives cause for optimism that the outlook for the long-term funding sustainability of the LGPS is robust, not least due to the hard work that has taken place across all funds over the last decade and longer.

“While the good news is welcome, the hard work doesn’t stop, and it is important that funds use the next two years to continue to systematically review their risks to keep them in the best place possible ahead of the valuations in 2025.”

The report said funding levels rose by the most for schemes that were already better-funded in 2019, but balances increased “across the board” in all funds that were reviewed.

Researchers said higher asset values mean funds will only need to deliver real investment returns of about 1.5% per year over the next 20 years to ensure they are fully funded.

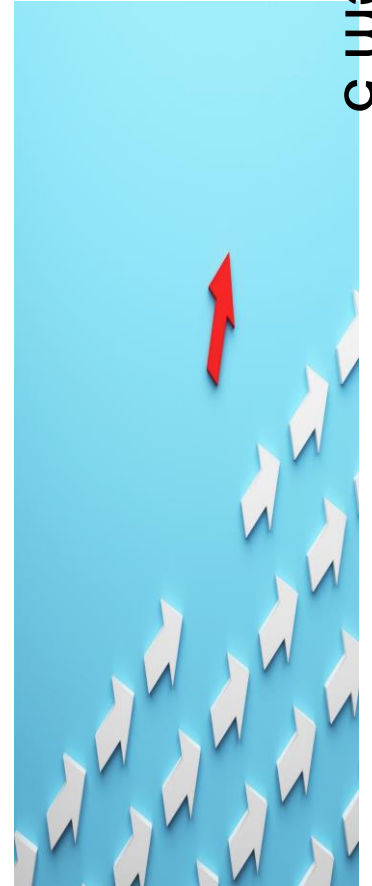
Hymans said it expects more than three-quarter (77%) of funds to be able meet the annual level of investment returns by 2040.

“This is a very positive funding position for the LGPS, Considering that, not so long ago, the Scheme Advisory Board had set up a ‘deficit working group’ and the significant market events that the LGPS has had to navigate in recent years.”

“Being in such a strong position is a testament to the diligent and hard work of administering authorities over the last decade.”

Read the full report here

[LGPS 2022 Valuation - the big picture.pdf \[hymans.co.uk\]](#)



# Sustainability reporting in the public sector - CIPFA

CIPFA said, 'Sustainability reporting in the public sector is in its infancy, and there is an evolutionary journey to be embarked upon – sooner rather than later.'

Sustainability reporting is the recording and disclosure of an organisation's environmental impact caused by its activities. It has been widely adopted in the private sector, but in the public sector it is not the same story.

Having a clear understanding of the overall carbon footprint of the public sector is vital if we are to tackle climate change, find solutions and encourage sustainable development, said CIPFA.

CIPFA report states, 'the answers and positive steps to addressing the most pressing challenges around public sector sustainability questions. The current patchwork of public sector sustainability reporting frameworks are inconsistent and confusing. The report draws on already existing standards and frameworks that are relevant and useful to the public sector, rather than trying to reinvent the wheel.'

## Alignment to financial reporting

The report recommends an approach that aligns sustainability reporting with the wider practice of financial reporting. The four key areas in this approach are governance, the management approach, performance and targets, and strategy. 'Public sector sustainability reporting: time to step it up' provides public finance professionals with a good understanding of what information needs to be disclosed and the process in producing a high quality report.

Read the full report from CIPFA here

[Sustainability Reporting \(cipfa.org\)](https://www.cipfa.org)



# SEND deficits kept off budgets for another three years

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before the announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".



FPV/23/118  
DCC Audit Committee  
27<sup>th</sup> November 2023

## **Report of the Director of Finance**

### **Internal Audit Update Report for 2023/24**

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

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#### **1) Recommendations:**

That the Committee reviews and considers:

- i. the current assurance opinion.
- ii. that members review and consider the performance of Devon Audit Partnership during the year.
- iii. 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.

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.

#### **2) Background / Introduction**

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 2023/24 that were approved by the Audit Committee in February 2023.

#### **3) Main Body / Proposal**

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 2023/24 that were approved by the Audit Committee in February 2023.

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.

#### **4) Options / Alternatives**

Not Applicable

# Agenda Item 6

## **5) Consultations / Representations / Technical Data**

This report has been agreed with DCC SLT.

## **6) Strategic Plan:**

There are no strategic plan issues associated with this report.

## **7) Financial Considerations:**

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

## **8) Legal Consideration:**

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

## **9) Environmental Impact Considerations (Including Climate Change):**

There are no specific Environmental Impact Considerations or issues associated with this report.

## **10) Equality Considerations:**

There are no specific Equality considerations associated with this report

## **11) Risk Management Considerations:**

There are no specific Risk Management considerations associated with this report

## **12) Public Health Impact:**

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

## **13) Summary/Conclusions/Reasons for Recommendations:**

Reasons for reviewing the report and information within it are linked to the Committees Terms of Refence and those relevant to this meeting.

That the Committee reviews and considers:

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

Angie Sinclair  
Director of Finance and Public Value

**Electoral Divisions:** All

**Local Government Act 1972: List of background papers**

Nil

**Contact for enquiries:**

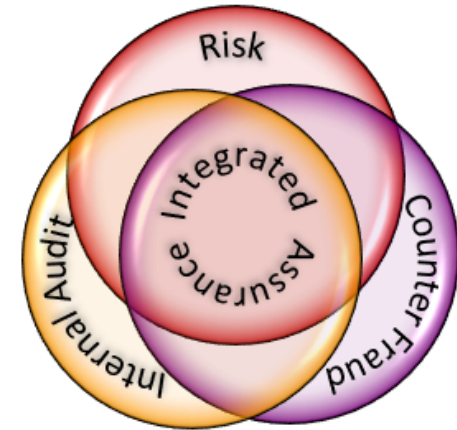
Name: Ken Johnson

Tel No: (01392) 382528





**Audit Committee  
Half-Year Monitoring Report  
2023/2024**



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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

There has been much change to the Senior Leadership Team across the Council, and this has come with an increased scrutiny over policy and procedures in place across many services. There has been an increase in positive engagement from staff across the Council and we are being alerted to issues where control weaknesses may exist. This has informed our audit work over the last 5-6 months. From our interactions with SLT we know that the number of actions arising from our audit work need further prioritisation to ensure that they can be achieved, notably at present in the Childrens and Young Peoples Service. We will continue to work across services to help prioritise those actions that are most urgent and achievable.

To ensure progress is being made to mitigate risks on those pieces of audit work that achieved Limited Assurance during the first half of 23/24, it is our intention to work with the relevant service area and carry out further testing during the last quarter of the year to progress and inform the end of year opinion.

It is important to note that our assurance work reviews the process in place which often lends us to look back and then report at a point in time. Within our work we ensure that we also look forward at any planned changes whether they are in progress or at the development stage. It is clear from our work to date that the Council are taking forward a number of key changes across a number of services which should have a positive impact on risk and controls.

Working closely with our Risk Management team, we strive to ensure that we are reviewing the right areas of the Council at the right time to increase the likelihood of success and to be more resilient to change and challenges as they arise. Consideration of the Council's Strategic and Corporate Plan is vital when planning our work to support the Council in its vision to "manage potential opportunities and threats in achieving its objectives".

This report provides a summary of the performance against the Internal Assurance plan to date for the 2023/24 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 Assurance plan for 2023/24 was presented to, and approved by, the Audit Committee in February 2023. The following report and appendices set out the position to November 2023.

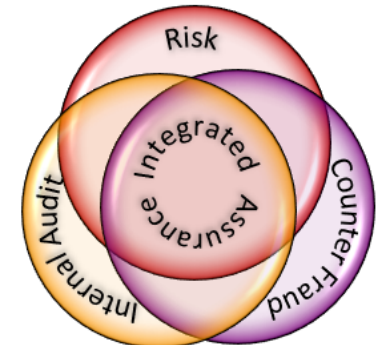
The Public Sector Internal Audit Standards require the Head of Internal Audit to prepare a report providing an opinion at the end of each year that can be used by the organisation to inform its governance statement, this report provides a position statement on the progress towards that. The level of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

### 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; Any audit findings provided, and 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 23/24 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.

The above assurance opinion is at this half-way point in the year and is subject to change as we move through the second half of 2023/24. There are a higher number of limited assurance reviews to date when compared to previous years and this could have an impact on the assurance opinion given at the end of the financial year. We are also of the opinion that if a particular service area has a significant number of limited reviews, we will provide a separate assurance opinion of limited overall to that service area.

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 2023/24. 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 2023/24.

### 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.

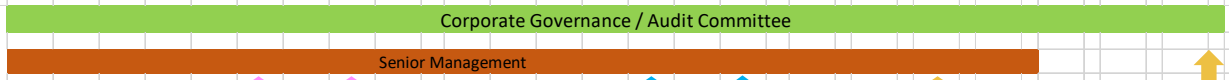
### Performance Management

Performance is subject to monitoring at management level.

<b>Substantial Assurance</b>	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.	<b>Limited Assurance</b>	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.
<b>Reasonable Assurance</b>	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.	<b>No Assurance</b>	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.

DCC Summary Assurance Map

It is with a focus on the higher risks and what needs assessed feeding through into the audit plan.



Risk / Key Objectives / Key Service	Business Operation - 1st line														Financial, Corporate and Governance - 2nd line										Independent Assurance - 3rd line										Regulators			External audit	
	Internal Control Measures							Management controls							Assurance oversight, management and financial policies,										Independent challenge & audit. Reporting on assurance, Audit of assurance										Legal, Government other inspection and				
	Core systems controls inc. IT system	Input processing and output controls	Fraud and error prevention	authorisation, supervision and performance	Financial management	3rd Party resilience?	Business continuity incl. Disaster Strategies and business plans	Spare - inc.	Spare -	Financial / Monitoring, reconciliation, Functional & Service compliance	Quality control checks (H&S, Info)	Security inc IT systems & physical	Governance structures and processes inc. corporates risk management / assurance	Spare -	External accreditation / certification (ISO 27001)	External compliance testing - e.g. security.	3rd Party assurance letters	Consultant reviews	Strategic partners assurance reports inc.	Spare	Internal audit assignments	RAG	Yr	RAG	Yr	RAG	Yr	RAG	Yr	RAG	Yr	RAG	Yr	RAG	Yr	Yr			
<b>Key Financial Systems</b>																																							
KFS - Income Collection 23/24	G	A	G						G			G	A																						G				
KFS - Treasury Management 23/24	G	G	G	G	G			G	G			G		A																						G			
KFS - Debtors 23/24	G	G	G	A	G	A			G			G	G	A																						G			
KFS - CHAPS Approval Process	G	G	G	G		n/a			n/a			G	G		n/a																					G			
KFS - Creditors	G	G	G	G	G							G	G																								G		
<b>Children's and Young Peoples Futures</b>																																							
CYPF - Consultant Process for Schools				G	G	G																														G			
CYPF - Adopt SW	G	G			G							G																								G			
CYPF - Payments to Independent Placements	G	G	G	A	A	A								A																						A			
CYPF & IASC - Transitions to Adulthood - Financial Impact		A	A	A	A									A																						A			
CYPF - Financial Arrangements of EHCP Payments to Independent Schools	G	A			G	G	A							A	R	G																			A				
<b>Integrated Adults Social Care</b>																																							
IASC - Review Programme / Care Assessment 18-64	A	A	A	A	A		n/a							A	A	A	n/a	A	A																A				
Digital Transformation and Business Support																																							
DTS - Information Technology Asset Management	A			G	A			G						R			A	A	A																A				
<b>Public Health, Communities and Prosperity</b>																																							
PHC&P - Sexual Health - Governance & Risk Management							G	G					G																							G			
PHC&P - Emergency Asylum Hotel Handbook							G																													G			
<b>Climate Change, Environment and Transport</b>																																							
CCET - Exeter ERF Annual Reconciliation 22/23						A		G	G					G																						G			
<b>People and Culture</b>																																							
HR - Off Payroll Working	G	G			G	A	G	G						A	G																					G			
HR - Children's Services Use of iTrent	G	A	A	G	A									A	A	G																				A			

High Level Summary Audit Plan – 2023-24					Corporate/ Strategic Risks and Projects	Client and Audit Governance
Adult Care & Health		Children’s Services	Climate Change, Environment & Transport	Public Health, Communities & Prosperity		
<b>99</b> Verified Risk Areas	Supported Living Tender	Children’s Services Social Care – Ofsted Monitoring		<b>Prosperity:</b>	Budget Targets – Delivery of Savings/Accountability	
	Impact Assessments	Financial Arrangements of EHCP Payments to Independent Schools	Lack of capacity or capability to respond effectively to highway safety related issues	Mobility Aids	SEND – Savings Review	
	Service Closure	Payments to Independent Placements – Social Care	Lack of capacity or capability to effectively respond to extreme weather events	Learn Devon	People Strategy	Audit Committee
	ACH System Replacement Project	Payment by Results (Used to be Troubled Families)	Waste Strategy	External Funding with Community Renewal Funds	Spend Analysis – Eight Point Plan	Corporate Governance
	CQC – Assurance of Adults Social Care	Consultant Process for Schools Forum Financial Arrangements	Transport – Impact of Covid-19	<b>Public Health:</b>	Financial Resilience of Key Suppliers – Business Continuity	Follow Up Reviews
	ICB Savings Plan	Financial Intervention Panel Schools (FIPS)	Sustainable Urban Drainage System	Budget Pressures	Best Value	Audit Planning and Coordination
	Review of S75 Arrangements	Direct Payments – Virtual Wallet	Section 106 Agreements	Business Continuity	Governance & Commissioning of Corporate Contracts	Contingency
	Direct Payments – System Development	MASH IT System (F/Up)	Bio Diversity Net Gain	Fund led Audit	Single Sign-On	
	Liberty Protection Safeguards	Direct Payments (F-Up)	Commuted Sums	<b>Communities:</b>	Lone Worker Absence Devices	
	Commissioning – Best Value	<b>Unscheduled Resource, Options:</b>	<b>Unscheduled Resource, Options:</b>	Asylum Seekers	Sickness/Absence Management	
<b>Adaptive Plan</b>	OT & SW Recruitment	Children’s Homes	Tree Management System – Ash Dieback	Domestic Abuse	Climate Change	
	Community Services	Compliance with the Care Act Requirement	Fees & Charges	Modern Slavery	Core Systems Replacement -Finest – CareFirst	
<b>Core Assurance</b>	<b>Key Financial Systems</b> (Material Systems) - Payroll, Creditors, Debtors, Income Collection, Bank Reconciliation, Treasury Management, Main Accounting System Inc interface systems & reconciliations.					
	<b>Grants</b> - Troubled Families, Grants Out -Governance and monitoring					
	<b>ICT</b> – Disaster Recovery, Firewalls, Access Controls, IT Asset Management, Capacity & Availability, ICT Cyber Security – Vulnerability Management					
						Counter Fraud

## Adaptive Plan – areas of review (priorities)

Key:

- Initial priorities
- Revised priorities

### Corporate and Strategic

- Budget Targets – Delivery of Savings/Accountability
- SEND – Savings Review
- People Strategy
- Financial Resilience of Key Suppliers – Business Continuity
- Governance & Commissioning of Corporate Contracts
- Budgeting Processes
- Barclaycard / Procurement Card Spend
- Single Sign-on – **pause until 24/25 due to on-going work in this area**
- Lone Worker Absence Devices – **on hold until 24/25 to allow the devices to be procured and training to be given**
- Sickness/Absence Management – **no longer a priority**
- Expenses
- Climate Change
- Core Systems Replacement – Finest - CareFirst

### Adult Care and Health

- Supported Living Tender
- Impact Assessment
- Services Consultation Process (Service Closure)
- ACH System Replacement Project
- CQC – Assurance of Adults Social Care
- ICB Savings Plan
- Review of S75 Arrangements – **moved to 24/25 due to an external review currently underway**
- Direct Payments – System Development
- Liberty Protection Standard – **on hold until after the next General Election**

- CHC F/Up
- OT and SW Recruitment
- Community Services
- Effective replacement care offer to avoid carer breakdown
- Transitions – Project Board
- Review Programme 18-64
- Direct Payments – (F/Up)

### Children’s 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 (FIPS)
- Direct Payments – Virtual Wallet
- MASH IT System (F/Up)
- Direct Payments – (F/Up)
- Children’s Homes
- Compliance with the Care Act Requirements
- CS Direct Payments Spend Analysis – (F/Up)

### Public Health, Community & Prosperity

- Mobility Aids
- Learn Devon
- External Funding with Community Renewal Funds
- Budget Pressures – **no longer a priority**
- Business Continuity – **no longer a priority**
- Fund Led Audit – **no longer a priority**
- Sexual Health
- PHSE
- Asylum Seekers (Migration & Resettlement) – **no longer a priority look to review in 24/25**
- Domestic Abuse
- Modern Slavery
- Incoming Serious Violence
- Impact of Covid – **No longer a priority**

- Animal Disease Emergency/Contingency Plans – **no longer a priority, plans tested in real time last year.**

### Climate Change, Environment & Transport

- 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 – **this will be included within the Section 106 audit**
- Transport – Impact of Covid-19 – **No longer a priority**
- Sustainable Urban Drainage System
- Section 106 Agreements
- Bio Diversity Net Gain
- Commuted Sums
- Tree Management System – Ash Dieback – **No longer a priority**
- Fees and Charges
- Planning Team Processes
- SEND Transport – (F/Up)

### Digital Transformation & Business Support

- Disaster Recovery
- Firewalls
- Access Controls
- IT Asset Management
- Capacity and Availability – **moved to 24/25 plan to allow capacity to undertake the limited assurance follow-ups**
- ICT Cyber Security – Vulnerability Management
- Cyber Security (Focus Governance Arrangements 22-23) – (F/Up)
- Change Management – Compliance with Internal Policy and Procedure – (F/Up)
- Project Management 22-23 – (F/Up)
- Cyber Security 21-22 – (F/Up)
- Data Storage – (F/Up)
- Shadow IT – (F/Up)
- Vulnerability Management – (F/Up)
- Data Protection – (F/Up)

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## 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.
- 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.

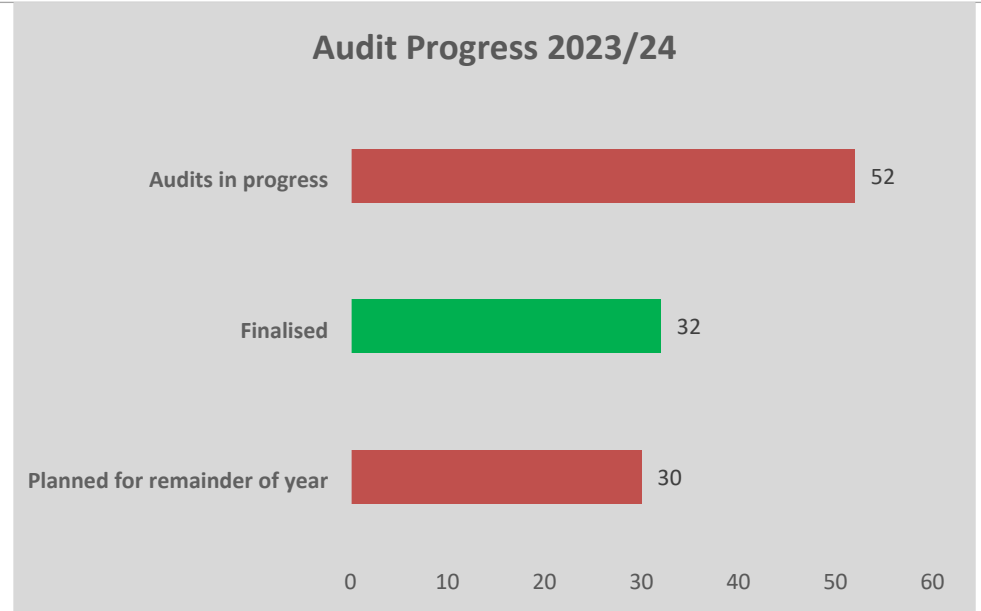
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Our audit plans are always built around the Risks identified through Risk Management, audit needs and perceptions of current issues and in discussion with client management. The audit resource delivery envelope has been set to provide opportunity for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

Our approach is to scope, schedule and resource plans throughout the year with Service Leads in an agile way, incorporating risk changes as necessary. 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.

The positive engagement from staff across the Council has enabled us, as at 20<sup>th</sup> October 2023, to have 32 pieces of work finalised for the 23/24 financial year and a further 52 audits in progress. We plan (subject to changes in risk and priorities) to complete a further 30 audits before 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.

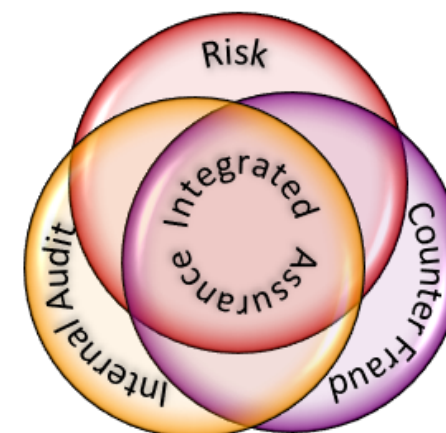


## Investigations and Irregularities

To date, during 2023/24 financial year, Devon Audit Partnership was made aware of 31 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	8	These cases mainly relate to loss or potential theft of mobile phones/laptops.
Tenders & Contracts	0	None.
Financial Irregularities	0	None.
Employee Conduct	1	This case relates to a possible misuse of position and is being investigated.
Blue Badge Misuse	22	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.

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



## Customer Value

### Public Sector Internal Audit Standards (PSIAS)

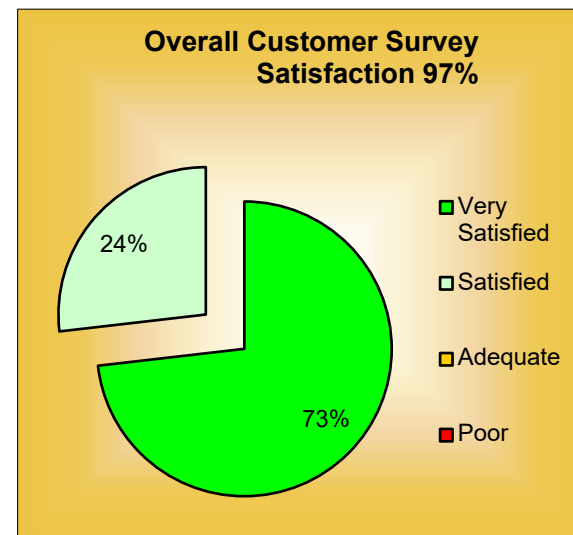
**Conformance** - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics*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

Our internal audit charter was approved by senior management and the Audit Committee in February 20. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

**Quality Assessment** - Through external assessment in 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 and these may be found upon our [webpage](#). The chart on the right of this page summarises the customer satisfaction results received to date during 2023/24.

### 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 September to October 2023 (since last Audit Committee meeting)

### Integrated Adult Social Care

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

The following audits from 2023/24 have been completed and finalised since September

**Review Programme / Care Assessments 18-64**

Limited Assurance

Status: **Final issued 10/11/23**

Draft issued 29/09/23

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The general view from the Officers that we met with was positive and that the new "Urgent Intervention and Review Model" is the appropriate approach to undertaking a review. Officers we spoke with were passionate about their roles and the people of Devon that they support, engaged fully with the audit process and were keen for their views to be listened to.

The number of reviews completed is significantly below target. As at 14/08/2023 only 1684 of 7992, 21% (18-64 and 65+) have been completed as per the monitoring dashboard. Based on a Q1 analysis, 46% of reduced costs relate to over 65s. Also, 55% of reviews completed related to those clients over 65.

From reviewing the Q1 analysis produced by Officers, neither CHSCT (Community Health and Social Care Team), CDP (County Disability Team) or County Teams are reaching targets. Therefore, it is unlikely that the targeted level of reviews or the associated targeted budget savings of £6m, due to reduced costs following care reviews, will be achieved in 23/24.

This piece of worked involved a high level of discussion with officers which has identified several obstacles/barriers to meeting the targets of reviews completed and the reduction of costs, details of which are highlighted below:

- Structure and allocation of resources.
- Availability of required suitably capable resources including nature of Team Manager role.
- Culture and behaviour of the organisation and individuals.
- Significant variety and volume of work carried out by the Community Teams.
- Lack of quality control of reviews.
- Lack of focus on 18-64 rather than 65+

There are also areas where the data quality monitoring and reporting of reviews and financial outcomes could be improved.

It was highlighted by Officers, that for the required improvements regarding completing effective reviews, there is a need for a cohesive message and view from the top. Management should consider the need to improve efficiencies, effectiveness and consistency in ways of working before increasing resources.

**Overall Management Response**

**Integrated Adult Social Care**

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment
	<p>All findings have been agreed and we are working with our teams to ensure they are actioned between now and the end of June 2024. Targets have been re-set with a stronger focus on prioritising the right “planned proactive” reviews where there is a realistic prospect of promoting independence and therefore a reduction in costs. Additional resource has been provided to support Team Managers.</p> <p>The anticipated savings delivery from the review programme is monitored regularly within the service and reported to SLT and Transformation Board monthly, we are estimating the risk to planned savings delivery as being £1m in 2023-24.</p>

**Other work on-going:**

- Governance and Assurance Board for the Care First system replacement, Transitions, Community Services and Care Quality Commission - to provide advice on risk and controls through attendance at meetings.

**Public Health, Communities & Prosperity**

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

No audits have been completed and finalised since September

**Other work in-progress:**

- Sexual Health
- Modern Slavery
- Domestic Abuse

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**Children and Young People’s Futures**

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

The following audits from 2023/24 have been completed and finalised since September

**Children’s Services use of iTrent**  
 Limited Assurance  
 Status: **Final issued 02/11/23**  
 Draft issued 16/06/23

As part of our testing to provide assurance that iTrent is being adequately used, discussions were had with staff in HR, Children's Social Work Academy, Children's Services Project Management team, Children’s Social Care Business Support Managers and the Finance team within Children's Services. We also undertook a range of sample testing of HR/Payroll data, with some of our testing focussed on employees who had been confirmed as working within Children's Social Care.

Work is continuing in HR and the Social Work Academy to assist Children's Services by providing ongoing manager training and support, supplementing the comprehensive suite of user-friendly iTrent guidance available to all employees and managers via Inside Devon. However, within Children’s Services, there has been a high turnover of staff with more agency managers than some other areas within DCC and as such, this may increase the risk of inadequate knowledge of iTrent requirements within the service.

In most areas, our testing found that iTrent is being used to record, request and authorise data in accordance with the Council’s policy and procedures, however there are areas of concern where updates are not being managed appropriately or incorrect staffing structures have been recorded, which could mean managers may not be permitted to access and authorise updates for their employees, such as recording sickness, annual leave and expense claims.

As iTrent is reliant on the information entered into the system, it is difficult to evidence or quantify the information that may be omitted, increasing the risk of incorrect payments made to employees, and could result in inaccurate reporting and monitoring of staff.

**Overall Management Response**

**All findings have been agreed and we are working with our teams to ensure they are actioned between now and the end of January 2024. Reminders of the use of iTrent will be issued to all managers to ensure correct completion of the necessary forms for recording sickness and leavers information. Managers will be asked to demonstrate the use of iTrent correctly in their 1-2-1’s.**

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## Transitions to Adult – Financial Impact

Limited Assurance

Status: **Final issued 10/11/23**

Draft issued 08/09/23

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Our audit has concluded that there are no documented processes or written guidance, surrounding the responsibilities to ensure Children’s Services are informed that a transitions assessment has taken place. Furthermore, there are no current reports run which can identify whether care and support payments are being made by both services for the same individual.

There are some controls in place, such as a default end date for the Children’s Service Agreement meaning the support payments will automatically stop in line with the young person’s 18<sup>th</sup> birthday, however this does not apply to all young people in receipt of Children’s Services support, such as those placed in care, where payments will continue until notified otherwise.

Reports showing all children and young people with an active Children’s Service Agreement, are discussed between Finance staff from Children’s and Adult Services each month, however they are dependent on social care teams providing updated information in the first instance. There are fortnightly checks in place for high cost ‘Children in Care’ placements which also identifies where payments are being made for young people over the age of 18 (including those that can be paid in accordance with legislation, such as care leavers remaining with the same foster carer), though again, its effectiveness is reliant on information being adequately shared at service level.

Whilst we have been made aware of examples where Children’s Service Agreements continued with payments being made after a transitions assessment had been made by Adult Services (in some cases with an overlap of payments), there is inadequate data available to identify the total amount of overpayments created. In addition, Corporate accounting system limitations and insufficient information provided to, and held by, the Council’s Debt Recovery Team, means we have been unable to quantify any outstanding debt or total write-offs which have occurred because of an overlap or delay in ending Children’s Service payments.

In some cases, the support provided by Adult Services is less than the Children’s Services costs paid for an individual, particularly with placements for Children in Care, so a timely transition is required to reduce potential overspend. Our understanding is that ‘better transition planning’ is being considered as part of the Transforming Transitions Project.

### Overall Management Responses

**All findings have been agreed and we are working with our teams to ensure they are actioned between now and the end of November 2023. An Operations and Finance (Transitions to Adulthood) Group has been established to track the completion of transfers for young people moving from Children’s Social Care to Adult Social Care. A new dashboard has been implemented by Adult Social Care providing centralised information about young people transitioning to Adult Services.**

**Finance have implemented an accompanying letter for invoice amounts above £1,000 explaining the detail behind the overpayment. In addition action has been taken to remind staff of DCC’s Code of Practice for Income Management and Financial Regulations.**

**Financial Arrangements of EHCP Payments to Independent Schools**

Limited Assurance

Status: **Final issued 14/11/23**

Draft issued 14/09/23

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This audit focused on the planning and review process of EHCPs and the associated payments and budget monitoring to independent providers.

The Council have a backlog of overdue cases at various stages of the EHCP process. Areas that need addressing are the stage of whether to issue an EHCP or not, the EHCP implementation stage and the annual reviews. The service has developed impressive PowerBi reports to monitor the overdue cases, however, with such a large backlog the Council is at risk reputationally for delaying the support of a child/young person.

Responses from external stakeholders at the EHCP request and assessment stages are inconsistent. EHCPs themselves are written inconsistently as are the annual review reports. With annual review reports written by individual schools and case workers, inconsistency is to be expected, however, not to the scale we have assessed.

The Council pay for a child/young person to attend their placement full time. There are opportunities for significant savings to be made if the Council only paid for how much each individual child/young person attended their placement. Evidence of over and underpayments have also been captured after reviewing the Council's financial reports.

Independent providers are commissioned by each individual caseworker which poses a risk of placements being inconsistently assigned. To bring in some consistency the Council should adopt a written Value for Money (VfM) process. With costs to independent providers increasing the Council should look at ways of limiting the use of them where appropriate whilst maintaining their legal duty to use a provider through parental preference.

**Overall Management Response**

**All findings have been agreed and we are working with our teams to ensure they are actioned between now and the end of March 2024. The SEND Transformation Programme includes a project which is focused on improving SEN Statutory Processes and includes a review of the EHC assessment process to identify what is working well, any problems and ideas for improvements.**

**Resources are being identified for a full commissioning review after which options for future commissioning strategies and frameworks will be looked at along with the possibility of block contracting. Work is commencing on quality assurance checks. We are also looking at links across the wider system including transport.**

**Payments to Independent Placements - Social Care**

Staff within the Social Care Team are experienced and well versed in procedures relating to care planning for individual children, with comprehensive plans and reviews recorded adequately and timely on ECLIPSE (the Children's Social Care

Limited Assurance

Status: **Final issued 19/10/23**

Draft issued 26/09/23

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system). However, there is no evidence documented to confirm the circulation of the plans to the relevant stakeholders, as required within local procedural guidance.

There are processes in place surrounding the commissioning of placement providers under formalised frameworks, including pricing negotiations, but there is no current strategy with regards to spot placements outside of the framework and for the procurement of additional local providers.

A high impact area of concern relates to the financial risk, with weaknesses identified in the current processes for setting up and ending payments to providers, resulting in some providers unnecessarily waiting for payments whilst others are being overpaid. Furthermore, there are no mechanisms in place to identify these discrepancies, with errors generally being discovered following contact from a provider or noticed by staff whilst working on other aspects of the claim.

**Overall Management Response**

**As reported to Cabinet there are emerging risks within Children and Young People’s Futures with increasing numbers of complex placements and continued pressure associated with excessive agency costs. In response additional intensive work and the establishment of a cross council placement taskforce is seeking to address this issue at pace. There has been significant progress in establishing management tiers with the level of interim managers reducing by 70% since February 2023 and agency levels by 11% since May. These activities are subject to weekly support and intervention by the Chief Executive and Director of Finance and Public Value**

**Other work in progress:**

- Financial Intervention Panel for Schools
- Direct Payment Follow-Up review from 22/23
- Direct Payments Spend Analysis Follow-Up review from 22/23
- MASH IT Follow-Up review from 22/23
- Direct Payments – New System (Virtual Wallet) - to provide advice on risk and controls through attendance at meetings.

**Key Financial Systems**

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

The following audits from 2023/24 have been completed and finalised since September





Key Financial Systems	
Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment
<p><b>CHAPS (Clearing House Automated Payments System) Process</b></p> <p>Substantial Assurance</p> <p>Status: <b>Final</b></p>	<p>Our review of the CHAPS process found there to be appropriate and robust controls in place to minimise the risk of inappropriate or inaccurate CHAPS payments being made.</p> <p>The ability to process CHAPS payments is suitably restricted to appropriate Officers and payments require three Officers to process the payment via the Councils banking system. From our sample of CHAPS payments reviewed we found;</p> <ul style="list-style-type: none"> <li>• Payments were supported by the relevant forms and supporting documentation.</li> <li>• CHAPS payments correctly/appropriately authorised.</li> <li>• CHAPS payments were processed accurately to the correct supplier/recipient.</li> <li>• All accounting entries (Journals) were processed accurately.</li> </ul>
<p><b>Debtors</b></p> <p>Reasonable Assurance</p> <p>Status: <b>Final</b></p>	<p>Based on our testing we consider there to be an appropriate control framework in place for ensuring that debt owed is effectively and efficiently collected.</p> <p>The controls for user account management (i.e., the creation / removal of user accounts) to the debt recovery system (ASH) could be improved. However, as ASH is a low-risk system, used by a close-knit team and doesn't process financial transactions, this reduces the impact of inappropriate or unauthorised access to ASH, with our assurance opinion reflecting this. User management for FINEST was found to be adequate and is reported in the Main Accounting System audit. There are suitable controls in place to reduce the likelihood of inappropriate or inaccurate amendments to the debtor system.</p> <p>The credit notes and debtor invoices tested all followed the expected procedures, although there is the continued risk of debtor invoices being raised inappropriately as there is no enforced segregation of duties in the process. Recovery action and write-offs were deemed to be appropriate and timely. All debts that are in dispute or suppressed show procedures were followed, with reports to identify and monitor such debts. Our review did highlight the inconsistent use of the instalment plan function in ASH, which could lead to inefficiencies in monitoring on debt on an instalment plan. There is now a centralised record of write-offs held in SharePoint to improve recordkeeping. Debts that are referred to the external agency for collection are monitored effectively, although further investigation on the use of this external agency may produce more success in the collection of debts.</p>

**Key Financial Systems**

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment
	<p>Positively, it is noted that the fix applied to ASH earlier this year has improved the accuracy of the system in reflecting debt position correctly. With the upgrade to ASH which is going live in the coming months, this will further enhance the functionality of the system.</p> <p>The aged debt dashboard continues to be used to monitor the debt position. Using a month-on-month comparison for Corporate aged debt between 22/23 and 23/24, 23/24 is showing a higher amount of aged debt. There are two debtors with a high level of aged debt (NHS Devon ICB and Persimmon Homes (both of which are being pursued by the County Legal team) and if we exclude these figures, the aged debt as a percentage of the rolling year invoice total is approximately 1.7%, which is in line with the agreed target (1.9%).</p>
<p><b>Creditors</b></p> <p>Reasonable Assurance</p> <p>Status: <b>Final</b></p> <p>Page 78</p>	<p>From our review of the key system controls within FINEST, P2P (OnBase) and payment feeder systems we conclude that generally orders and payments made by the Council are effectively controlled.</p> <p>User access and authorisation to reduce the likelihood of inappropriate access to the creditors system continues to be effective.</p> <p>We found the creation of Creditor entities, within the Finest system, to be suitably restricted. There continues to be no established periodic review of duplicate entities, however, it is noted as part of the Future Finance Project, these are being assessed as part of the data cleanse.</p> <p>Based on our sample of payments made via the electronic ordering process, the majority were found to have followed expected procedures. The Payments Team have limited involvement in error investigation, but they maintain a record to ensure that service areas are promptly notified of rejected payments. Rejected entries are independently investigated, with sufficient segregation of duties when re-issuing a failed payment.</p> <p>One Time Creditor (OTC) payments follow the relevant procedures which are available to all appropriate staff. However, it is noted that there was an example of a re-occurring monthly payment using the OTC payment process, and not all OTC payments are being coded correctly.</p> <p>There are three previously agreed management actions which have not progressed by their planned target dates.</p>

Key Financial Systems	
Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment
<p><b>Income Collection</b></p> <p>Reasonable Assurance</p> <p>Status: <b>Final</b></p>	<p>Based on our testing we consider there to be an appropriate control framework in place for ensuring that income is being correctly received and recorded to the accounting system using CIVICA and FINEST.</p> <p>There are adequate user account controls for CIVICA. Two management actions in relation to access controls from last year’s audit have been implemented, which include a review of accounts with administrator access and a review of recent leavers to confirm that they are deactivated from the system.</p> <p>The Finance Support Team (FST) informed audit that a full review of user roles is not viable due to the capacity and resources available.</p> <p>Adequate controls regarding income collection remain unchanged since the previous audit and continue to show suitable levels of risk mitigation. However, as reported previously, there still remains a high value of unallocated income transactions which are posted to the FINEST suspense account, which had a balance of £550,469 as of 26 June 2023. It is noted that there has been a positive direction of travel in regard to the current balance of the suspense account with a reduction of approximately £22,000 between April - June 2023.</p> <p>At present, there is still no documented policy / procedure with regard to the management of unallocated income.</p>
<p><b>Other work in progress:</b></p> <ul style="list-style-type: none"> <li>• Fixed Assets</li> <li>• Payroll</li> <li>• Main Accounting System (MAS)</li> </ul>	

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**Digital Transformation and Business Support**

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

The following audits from 2023/24 have been completed and finalised since September

<b>IT Asset Management</b>  Limited Assurance  Status: <b>Final issued 18/10/23</b>  Draft issued 16/08/23	See Part 2
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**Other work in-progress:**

- IT Access Controls
- Firewalls
- Project Management Follow-Up from 22/23
- Change Management Follow-Up from 22/23

**Climate Change, Environment & Transport**

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

No audits have been completed and finalised since September

**Other work in progress:**

- Planning Team Processes
- SEND Transport Follow-Up from 22/23
- Response to Extreme Weather Events
- Response to Highways Safety Related Issues
- Sustainable Drainage Systems (SuDS)

**Finance & Public Value**

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

**The following audits from 2023/24 have been completed and finalised since September**

<p><b>Financial Regulations</b></p> <p>Advisory piece of work</p> <p>Status: Final</p>	<p>Audit were asked to undertake a review of the proposed amendments to the Financial Regulations, all was found to be satisfactory.</p>
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**Other work in progress:**

- 1. FINEST System Replacement - to provide advice on risk and controls through attendance at meetings
- 2. Barclaycard / Procurement Card Spend Analysis
- 3. Budget Targets – Delivery of Savings
- 4. Best Value
- 5. Governance of Corporate Contracts
- 6. Budget Setting Process

## People & Culture

Risk Area / Audit Entity	Audit Report	
	Residual Risk	Audit Comment

**No audits have been completed and finalised since September**

**Other work in-progress:**

- Job Evaluation
- Expenses

## Grant Claims Certified Since September

Grant Name	Audit Report	
	Grant Certification	Audit Comment – if applicable
Sustainable Warmth - Home Upgrade Grant (HUG 1)	Certified	Grant Certification without amendment.
LCTB Capital Block Funding (includes Transport Infrastructure Investment Fund)		
Bus Subsidy Opportunity Grant (BSOG)	Certified	Significant & Sustained Progress: Potential claim 20; Tested 3 ; Failed 0: Claim made 20 families = £16,000
Supported Families Programme August		
Supported Families Programme September	Certified	Sustained Progress. Potential claim 104; tested 10; failed 0; claim made 104 families = £83,200

## 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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### 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](mailto:tony.d.rose@devon.gov.uk)

### 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.

### 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.

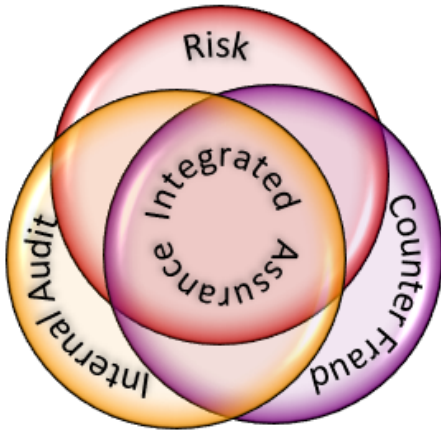
## Appendix 3 – Audit Authority





## Our Vision

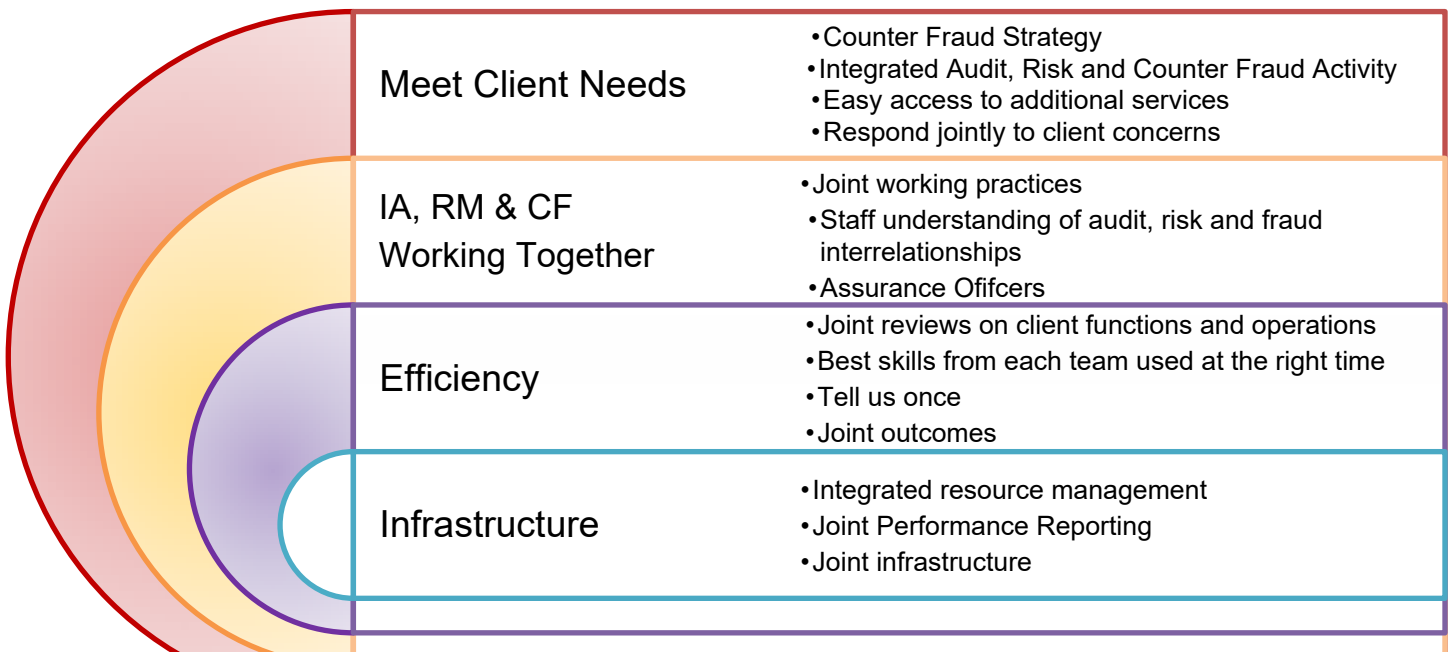
To be the leading provider of assurances services covering internal audit, counter fraud and risk management to public and not-for-profit organisations in the South West and beyond.



## Operational delivery

- **Assurance Audit** Plans based on the best and most up to date risk information
- Agile **Internal Audit** Plan
- Live **risk management** reporting and support across the Council
- Deliver a best in class **risk management framework**
- **Counter Fraud** Team co-ordinate / undertake irregularities work coming through the **audit** plan
- Potential irregularities triaged to **fraud or audit** for review
- **Proactive fraud** work e.g. NFI, developing a 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 where possible

## Our Goals





FPV/23/117  
DCC Audit Committee  
27<sup>th</sup> November 2023

## **Report of the Director of Finance Risk Management Update November 2023**

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

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### **1) Recommendation**

That the Committee: -

- i. review the most recent risk position for 2023/24 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 2023/24 to date 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.

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

Appendix A – Extract of the current Very High risks the council faces (based on Current Risk Score)

Appendix B – Risk Scoring Guide

Appendix C – Power BI Extract

Appendix D – Audit, Risk & Counter Fraud Integration

### **2) Background / Introduction**

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.

### **3) Main Body / Proposal**

As above.

# Agenda Item 7

## **4) Options / Alternatives**

Not Applicable

## **5) Consultations / Representations / Technical Data**

This report has been agreed with DCC SLT.

## **6) Strategic Plan:**

There are no strategic plan issues associated with this report.

## **7) Financial Considerations:**

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

## **8) Legal Consideration:**

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

## **9) Environmental Impact Considerations (Including Climate Change):**

There are no specific Environmental Impact Considerations or issues associated with this report.

## **10) Equality Considerations:**

There are no specific Equality considerations associated with this report.

## **11) Risk Management Considerations:**

The attached report sets out the risk position of the Council.

## **12) Public Health Impact:**

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

## **13) Summary/Conclusions/Reasons for Recommendations:**

Reasons for reviewing the report and information within it are linked to the Committees Terms of Reference and those relevant to this meeting.

- i. review the most recent risk position for 2023/24 including notable changes, and via the Power BI Dashboard.
- iii. review the updates to the risk management process as supported by Devon Audit Partnership.

Angie Sinclair  
Director of Finance and Public Value

**Electoral Divisions:** All

**Local Government Act 1972: List of background papers**

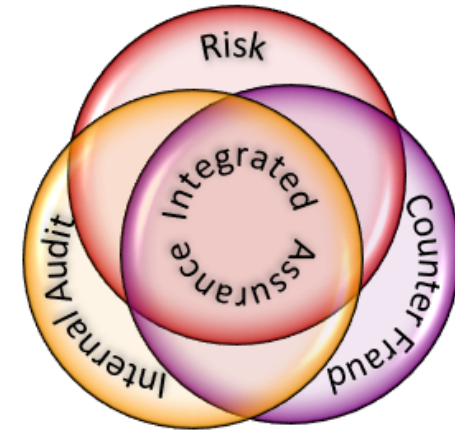
Nil

**Contact for enquiries:**

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## Introduction and purpose of this report

Recent changes to the Senior leadership Team across the Council has brought an increased awareness of risk and an even more positive approach to risk management. Services are more engaged than they have been for many years, and this helps to support the identification and management of risks. Managing, identifying and mitigating risks is more important now than it ever has been, to increase the likelihood of success and to be more resilient to change and challenges.

Devon Audit Partnership (DAP) continues to support the Council in its vision to “manage potential opportunities and threats in achieving its objectives”.

This risk update serves as a comprehensive overview for the Audit Committee, providing insight into the current risk performance, current work and tasks, trends and noteworthy points or topics.

## Risk In Numbers



The above graphic details the current risk information as of 14<sup>th</sup> November 2023. Clearly our attention is on the risks that have the highest score, the 9 risks that have the ‘Very High’ rating are:

The above figures include all risks recorded on the DCC Risk Management System, including Budget Book risks, Devon Pension Fund, Peninsula Pensions and Project risks.

Children and Young People’s Futures – Social Care	Demand for Children’s Services exceeds the financial provision (managing unit cost pressures)
	Demand for Childrens Social Work (managing demand for services and packages of care)
	CYPF: Savings and cost management strategies (Budget Book risk)
Children and Young People’s Futures – Education and Early Help	High Needs Block/DSG Deficit (insufficient funding to meet demand)
	Failure to adhere to the statutory SEND Code of Practice: 0 to 25 Years
Economy, Enterprise and Skills	Exeter Science Park (loan guarantee)
HR	Recruitment and Retention
ICT	Corporate Services – ICT
	Successful Cyber Attack

## Risk Update

In recent months we have provided facilitation and support to the Council’s service areas including Children and Young People’s Futures, Legal & Democratic Services, and Economy Enterprise and Skills.

New risks have been included on the Risk Registers relating to risk of ‘High Consequence Infectious Disease’ and risk of ‘Insufficient capacity to support MCA (Mental Capacity Act) practice quality’.



Budget Book Risks.

Risks recorded in the published Budget Book are recorded on the risk management system.

Currently, 66 risks sit within this Risk Register, the classification of these risks are detailed below:



The Budget Book risk register can be viewed by Members at [Budget Book Risk Recording](#).

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 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. This approach has also recently been taken for some Children and Young People’s Future Budget Book risks.

The Risk Management team has been tasked with providing support to the Budget Management Group to provide challenge and support around these risks. There is a desire from Finance & Public Value leadership that financial risks should be regularly reviewed to respond to changes in the internal and external environment and to support the relevant officers in the achievement of goals.

The Risk Management team regularly attend Budget Management Group meetings, to offer challenge and support to increase the overall accountability and increase the likelihood of success. There are future plans to support the regular 1-2-1 discussions with the accountancy team and relevant service area officers to utilise Risk Management tools and processes to increase success.

Clearly, budgets are of high concern and present a very real risk, and therefore the Council must mitigate these to reduce the potential severity and likelihood of them occurring. We are pleased to be engaged in this area.

**Future Finance Project.**

Another key area in Finance and Public Value is the project to support the replacement of its legacy finance system ‘Finest’. The contract has now been signed with Unit 4 and the project can now proceed in the implementation of the new system.

Risk identification, analysis, mitigating, support and facilitation services have been provided for this project. Work continues to ensure that the risks are captured and recorded on the corporate risk register. The risk themes and stages are recorded as follows;

**Failure of Project Control** - The risk that the project does not adequately put in place the measures required to control the project to time, quality, and budget; this includes risks around adequate project resourcing to achieve tasks. Non-achievement of this goal could lead to major consequence for the council.

**Failure of Long Term Benefits** - The risk that the system is not well implemented and as a result does not support the achievement of the long-term transformation in financial management that is desired; this includes risks around user acceptance of the system risk such that, while functionally

adequate, the system is not accepted by all or some users leading to dissatisfaction and inefficient practice. The impact of this risk occurring could have a major impact on the Council as its staff will not be able to utilise the new system correctly and morale will be impacted with those that are using the system.

**Functional Failure** - The risk that we lose control of our finances and are unable to account (pay or receive funds) or make financial transactions as per statutory duties. Without being able to pay our creditors and receive incoming funds could have Catastrophic consequences.

## **SEND Finance**

We continue to attend weekly meetings supporting the response and management of SEND financial challenges with finance and children's services colleagues. SEND risks have been identified and scored accordingly.

### **Changes in the risk picture;**

Appendix A details the risks with a current score of 'Very high'.

Since the last report to Audit Committee it is noted that the HR Recruitment and Retention risk has, on assessment by the service area, increased by 9 points from High to Very High.

CYPF risks remain under review by the service area and the Children's Services Leadership Team.

At the 25<sup>th</sup> September 2023 Audit Committee meeting, Members requested updated information on budgeted spend on placements to support children in care and care experienced young people. This information has been provided by the Finance team and the 'Demand for Children's Services exceeds the financial provision (managing unit cost pressures)' risk record has been updated accordingly.

**Power Dashboard** – Maximising access to new software is enabling risk reporting to become more interactive and live. Power BI is used to provide a visual presentation of current risk information, the link below can be used to see the current risk reporting. The tab for Audit Committee is under development and will be finalised shortly. In the meantime, the summary page can be used to filter by Directorate. The All Risks [Power BI Dashboard](#) will be further updated shortly and training for Members on the use of Power BI reporting will be provided.

The Dashboard displays an overall risk profile for the Council and 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. The information within this dashboard is updated from the Risk Register every 7 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.

### **Other areas of focus:**

#### **Shared Corporate Risks**

The Risk Management team is working with SLT leads and Leadership Teams to address new and emerging shared corporate risks, for example Use of Artificial Intelligence.

#### **Corporate Risk Management Group.**

Each of the service areas at the Council have a risk representative, or Risk Champion. We work closely alongside these officers to ensure the management of risk is met according to the Council's framework and policies.

Collectively the Council's Risk Champions form the Council's Corporate Risk Management Group. [Details of CRMG Membership](#). The Group meets on a quarterly basis to discuss the approach to risk at the Council and the top risks facing the Council. One-to-one meetings with Risk Champions take place outside of the quarterly meetings, and an on-going risk dialogue is maintained.

## Horizon Scanning

The Risk Management team continue to monitor the internal and external environment for upcoming potential risks and events that could significantly impact the Council's ability to deliver its statutory services or achievement of its objectives.

We also keep abreast of the global, national and regional 'external' risk position and the impact of external risks on the Council, its service and population.

The Council also benefits from DAP's creation and chairing of the Regional Risk Management Group. This group is made up of risk experts from other public bodies across the South-West, including the Met Office, NHS Integrated Care Board, Police, Fire and Rescue and other Councils. This gives the team the opportunity to understand and identify cross cutting risks in the local and national context.

The Chartered Institute of Internal Auditor's (II) [Risk In Focus 2024 Report](#) and [Risk In Focus 2024 Board Briefing](#) are recommended reading and can be viewed at [Risk in Focus | Research reports | Policy and research | IIA](#). The IIA report lists the top five risks organisations currently face as being:-

Cyber and Data Security; Human Capital, Diversity, Talent Management and Retention; Change in Laws and Regulations; Macroeconomic and Geopolitical Uncertainty; and Business Continuity, Operational Resilience, Crisis Management.

Digital disruption, New Technology and AI is listed sixth; followed by Climate change, Biodiversity and Environmental Sustainability; Supply Chain, Outsourcing and 'nth' Party Risk; Market Changes, Competition and Changing Consumer Behaviour; and Financial, Liquidity and Insolvency Risks.

Further details can be obtained from Devon Audit Partnership via Tony Rose (Head of Partnership) [tony.d.rose@devon.gov.uk](mailto:tony.d.rose@devon.gov.uk), or Brad Hutton (Senior Assurance Manager) [Bradley.hutton@devon.gov.uk](mailto:Bradley.hutton@devon.gov.uk) who will be pleased to receive your comments and thoughts on risk management within the Council.

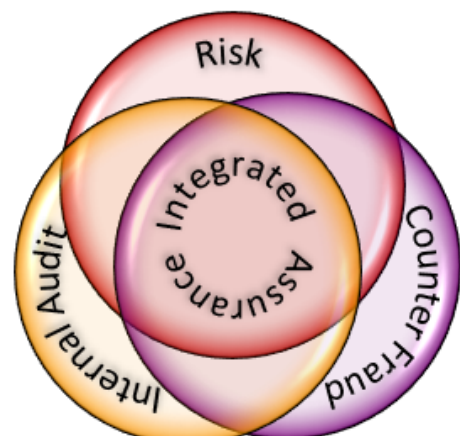
## Supporting Appendices

Appendix A – Risk Register Extracts

Appendix B – Risk Scoring Guidance

Appendix C – Power BI Extract

Appendix D – Audit, Risk & Counter Fraud Integration



**Appendix A – An extract of the Very Highest Rated Risks Based on Current (Mitigated) Risk Score.**

Risk Title	Service Area	Risk Category	Current Impact	Current Likelihood	Current Rating	Risk Owner	Accountable Officer	Change direction	Score change since last review
CYPF: Savings and Cost Management Strategies	CYPF - Children's Social Care	Financial	4 : Major	6 : Almost Certain	24: Very High	Jassi Broadmeadow	Stuart Collins	↑	+ 12 (awaiting review)
High Needs Block/DSG Deficit (insufficient funding to meet demand)	CYPF - Education and Early Help	Financial	4 : Major	6 : Almost Certain	24: Very High	Kellie Knott	Stuart Collins	↔	0
2021 - Successful Cyber Attack	Council Wide – Digital Transformation & Business Support	Operational	4 : Major	6 : Almost Certain	24: Very High	John Bristow	Gary Dempster	↔	0
Corporate Services ICT	IT Strategic Commissioning	Financial	4 : Major	6 : Almost Certain	24: Very High	John Bristow	Gary Dempster	↔	0
Exeter Science Park (loan guarantee)	Economy Enterprise and Skills	Financial	4 : Major	6 : Almost Certain	24: Very High	Keri Denton	Steve Brown	↔	0 (awaiting review)
HR: Recruitment and Retention	Human Resources	Operational	4 : Major	6 : Almost Certain	24: Very High	Andrea Owen	Maria Chakraborty	↑	+ 9
Demand for Children's Services exceeds the financial provision (managing unit cost pressures)	CYPF - Children's Social Care	Financial	4 : Major	6 : Almost Certain	24: Very High	Karen Powlesland	Stuart Collins	↔	0
Demand for Children's Social Work (managing	CYPF - Children's Social Care	Financial	4 : Major	6 : Almost Certain	24: Very High	Jassi Broadmeadow	Stuart Collins	↔	0

Risk Title	Service Area	Risk Category	Current Impact	Current Likelihood	Current Rating	Risk Owner	Accountable Officer	Change direction	Score change since last review
demand for services and packages of care)									
Failure to adhere to the statutory SEND Code of Practice: 0 to 25 Years	CYPF - Education and Early Help	Compliance	4 : Major	6 : Almost Certain	24: Very High	Kellie Knott	Stuart Collins	↑	+8

Some of the risk titles included in the table above have recently been updated to better articulate the risk to the service area, this applies to risks 'High Needs Block/DSG Deficit (insufficient funding to meet demand)', 'Demand for Children's Services exceeds the financial provision (managing unit cost pressures)', and 'Demand for Children's Social Work (managing demand for services and packages of care)'.

## Appendix B – Risk Scoring Guidance

Risk Scoring Guidance is published at [Manage risks - tasks and guides \(devon.gov.uk\)](https://www.devon.gov.uk/management-and-governance/risk-management)

This includes a risk Impact Assessment Guide, risk Likelihood Guide and One page risk management Summary (including risk scoring matrix)



### Impact Assessment Guide

	Health & Wellbeing	Service Users	Stakeholders	Reputation	Performance / quality standards	Legal	Financial	Pensions & Investments
<b>1</b> 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
<b>2</b> 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
<b>3</b> 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
<b>4</b> 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
<b>5</b> 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.

### Likelihood Guide

Consider the statements below as guides, choose scoring as appropriate to the risk being considered.

For advice contact your Risk Champion or [finance.riskmanagement-mailbox@devon.gov.uk](mailto:finance.riskmanagement-mailbox@devon.gov.uk)

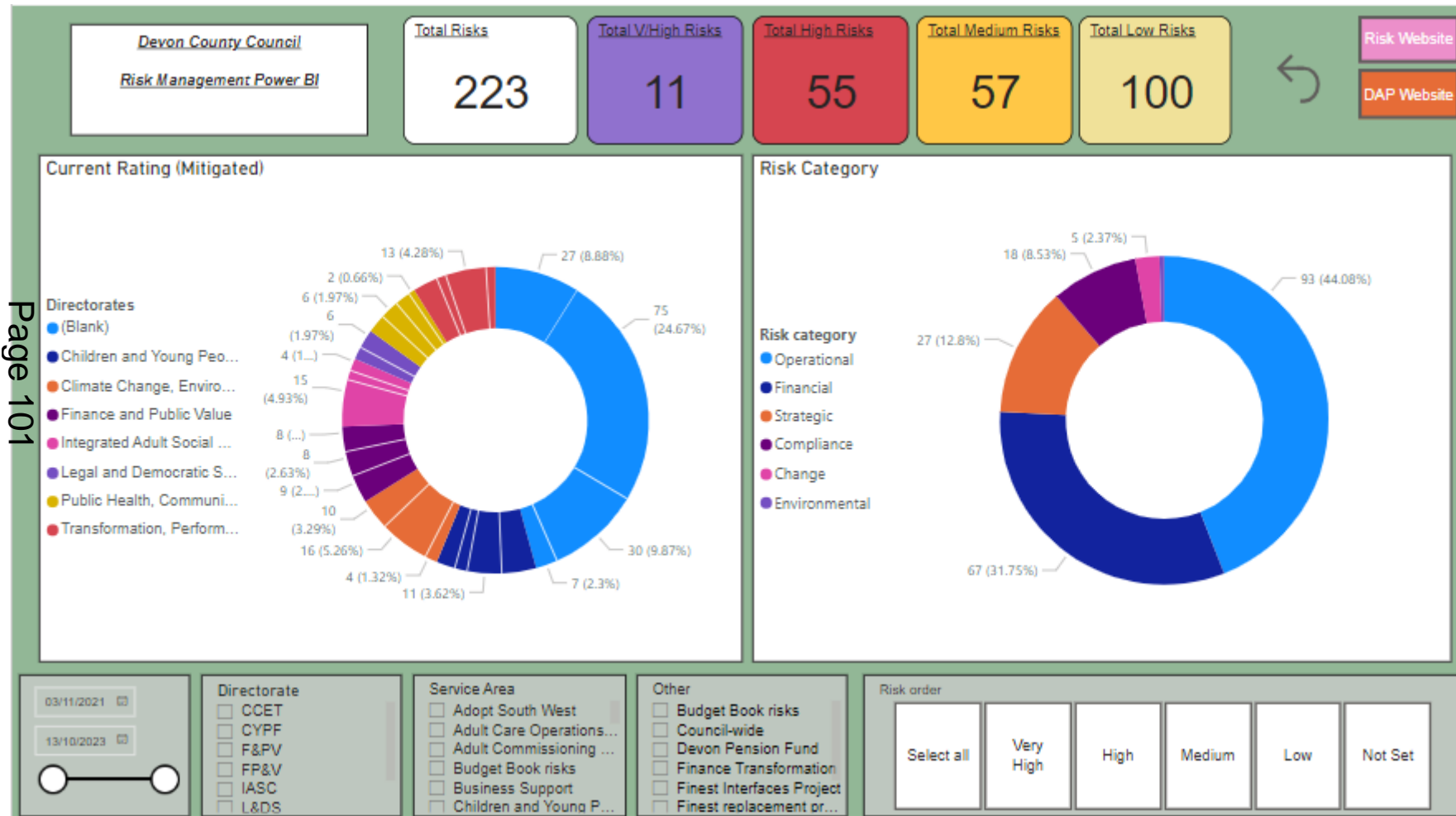
Score	Likelihood	Threat/Risk (not all need to apply)
2	Rare	It is never likely to occur and/or Very unlikely this will ever happen e.g. Once in 100 years.
3	Unlikely	May occur in exceptional circumstances and/or Not expected to happen, but is possible, e.g. Once in 25 years.
4	Possible	Could occur in certain circumstances and/or May happen occasionally, e.g., once in every 5 - 10 years and/or Has happened elsewhere.
5	Likely	Will probably occur in many circumstances and/or Will probably happen, but not a persistent issue, e.g., at least once every 1 - 2 years and/or Has happened in the past.
6	Almost Certain	Is expected to occur in most circumstances and/or Will undoubtedly happen, possibly frequently. and/or Imminent/near miss.

<p>Risk Management - is a modern management discipline and is about getting the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other.</p>																																	
<p><b>1. Identify your risks</b></p> <p><b>Risk:</b> an event or action that will have affect our ability to achieve our <b>objectives</b></p> <p>Opportunities <u>and</u> Threats</p> <p>Event leads to Impact</p> <p>Identify in groups - by those responsible for delivery of the objectives</p> <p><b>When:</b></p> <p>Setting strategic aims</p> <p>Setting business objectives</p> <p>Early stages of project planning &amp; key stages</p> <p>Entering partnerships</p> <p><b>Categories can help:</b></p> <p>Political, Economic/Financial, Social, Technological, Legislative/Legal, Environmental, Community, Professional/Managerial, Physical, Partnership/Contractual.</p>	<p><b>2. Assess your risks</b></p> <p>Combination of the probability of an event and its consequences; Impact x Likelihood::</p> <table border="1" style="margin-left: 20px;"> <tr> <td rowspan="5" style="writing-mode: vertical-rl; transform: rotate(180deg);">LIKELIHOOD</td> <td>6</td><td>12</td><td>18</td><td>24</td><td>30</td> </tr> <tr> <td>5</td><td>10</td><td>15</td><td>20</td><td>25</td> </tr> <tr> <td>4</td><td>8</td><td>12</td><td>16</td><td>20</td> </tr> <tr> <td>3</td><td>6</td><td>9</td><td>12</td><td>15</td> </tr> <tr> <td>2</td><td>4</td><td>6</td><td>8</td><td>10</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">IMPACT</td> </tr> </table> <p><b>24 - 30 VERY HIGH (VIOLET)</b></p> <ul style="list-style-type: none"> <li>Immediate action</li> </ul> <p><b>15 - 20 HIGH (RED)</b></p> <ul style="list-style-type: none"> <li>Regular review to seek better control</li> </ul> <p><b>10 - 12 MEDIUM (AMBER)</b></p> <ul style="list-style-type: none"> <li>Review current controls / incorporate into action plan</li> </ul> <p><b>1 - 9 LOW (YELLOW)</b></p> <ul style="list-style-type: none"> <li>Limited action - long term plans</li> </ul>	LIKELIHOOD	6	12	18	24	30	5	10	15	20	25	4	8	12	16	20	3	6	9	12	15	2	4	6	8	10		IMPACT				
LIKELIHOOD	6		12	18	24	30																											
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	3		6	9	12	15																											
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<p><b>3. Respond to risks</b></p> <p>Concentrate on Top Risks:</p> <p>Set risk appetite</p> <p>Proportionate and cost-effective response</p> <p>Can we reduce likelihood?</p> <p>Can we reduce impact?</p> <p>Can we change the consequences?</p> <p>Treat</p> <p>Transfer</p> <p>Tolerate</p> <p>Terminate</p> <p>Devise Contingencies</p> <p>Business Continuity Planning</p>	<p><b>4. Monitor &amp; Review</b></p> <p>Risk Registers:</p> <p>Baseline data to be prepared and monitored regularly; these should clearly indicate impacts, responses and contingencies as well as the risk owner.</p> <p>Use early warning indicators.</p> <p>Review Top Risks regularly as agenda item.</p> <p>Report progress to senior management.</p> <div style="text-align: center;"> <pre> graph TD     Objectives[Objectives] --&gt; Identify[Identify]     Identify --&gt; Assess[Assess]     Assess --&gt; Respond[Respond]     Respond --&gt; Monitor[Monitor &amp; Review]     Monitor --&gt; Identify     Objectives --&gt; Identify     subgraph TopRisks [Top Risks]         Identify         Assess         Respond         Monitor     end             </pre> </div>																																



Appendix C – Power BI Extract

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.



Page 101

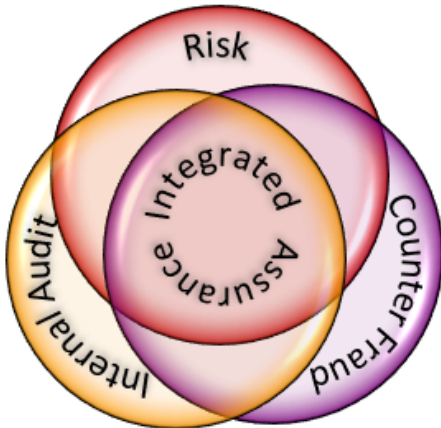
Please note that the data contained within the above pdf extract is representational. Please view the Power BI link for full risk information.

# Appendix D - Audit, Risk & Counter Fraud Integration Support, Assurance and Innovation



## Our Vision

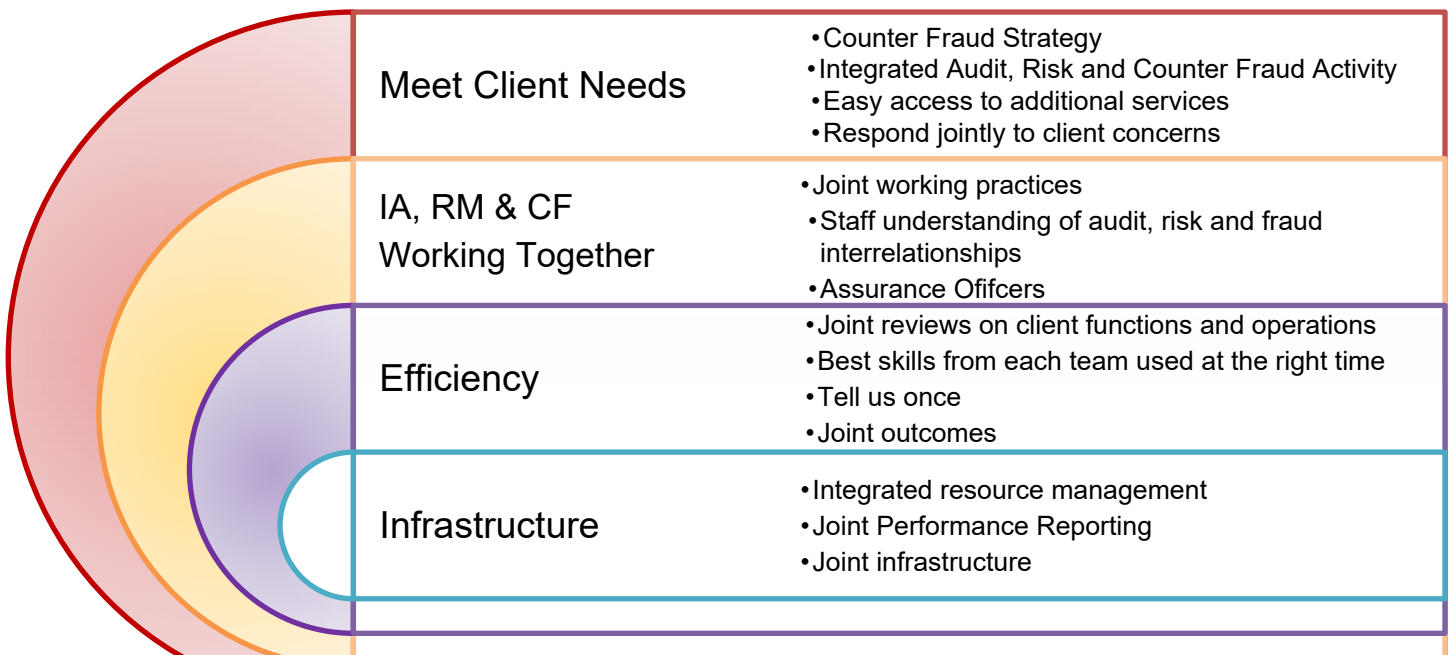
To be the leading provider of assurances services covering internal audit, counter fraud and risk management to public and not-for-profit organisations in the South West and beyond.



## Operational delivery

- **Assurance Audit** Plans based on the best and most up to date risk information
- Agile **Internal Audit** Plan
- Live **risk management** reporting and support across the Council.
- Deliver a best in class **risk management framework**
- **Counter Fraud** Team co-ordinate / undertake irregularities work coming through the **audit** plan
- Potential irregularities triaged to **fraud or audit** for review. Use of data analytics.
- **Proactive fraud** work e.g. NFI, developing a 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

## Our Goals



FPV/23/118  
DCC Audit Committee  
27<sup>th</sup> November 2023

## **Counter Fraud Update November 2023**

### **Report of the Director of Finance**

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

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#### **1) Recommendation**

That the Committee: -

- i. Note the update in connection with 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 for the first six months of the financial year 23/24 and supports the Councils ongoing commitment as outlined in its Anti-Fraud Bribery and Corruption Policy / Strategy and Response Plan.

#### **2) Background / Introduction**

The report is aimed at informing members of ongoing activity in the fight against fraud, 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.

#### **3) Main Body / Proposal**

The attached report sets out the Counter Fraud work being undertaken on behalf of and by Devon County Council for the first six months of the financial year 23/24 and supports the Councils ongoing commitment as outlined in its Anti-Fraud Bribery and Corruption Policy / Strategy and Response Plan.

#### **4) Options / Alternatives**

Not Applicable

#### **5) Consultations / Representations / Technical Data**

This report has been agreed with DCC SLT.

# Agenda Item 8

## **6) Strategic Plan:**

There are no strategic plan issues associated with this report.

## **7) Financial Considerations:**

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

## **8) Legal Consideration:**

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

## **9) Environmental Impact Considerations (Including Climate Change):**

There are no specific Environmental Impact Considerations or issues associated with this report.

## **10) Equality Considerations:**

There are no specific Equality considerations associated with this report

## **11) Risk Management Considerations:**

There are no specific Risk Management considerations associated with this report

## **12) Public Health Impact:**

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

## **13) Summary/Conclusions/Reasons for Recommendations:**

Reasons for reviewing the report and information within it are linked to the Committees Terms of Refence and those relevant to this meeting.

- i. Note the update in connection with Fraud Prevention and Detection in DCC.

Angie Sinclair  
Director of Finance and Public Value

**Electoral Divisions:** All

**Local Government Act 1972: List of background papers**

Nil

**Contact for enquiries:**

Name: Ken Johnson, Tel No: (01392) 382528



Devon County Council

**Devon Audit Partnership**

**Counter Fraud Update**

**Audit Committee November 2023**



## 1. Executive Summary

1.1 The following is the [Devon Audit Partnership](#) (DAP) [Counter Fraud Services Team](#) Half Year Report and Update for the first half of the financial year 2023/24. It outlines the counter fraud work undertaken in support of Devon County Council and its continued efforts to ensure that appropriate Governance processes are in place. This includes acknowledging the threats posed by fraud, preventing and pursuing those who would look to commit fraud and providing assurance that the Council and the public are being protected from fraud.

1.2 In the past six months the Counter Fraud Services Team have –

- Received and processed 38 allegations of fraud and related offences against the Council and its citizens.
- Supported the Council's commitment to the National Fraud Initiative, by checking matches and supporting the relevant departments accordingly. Checks against higher risk matches continue to be undertaken by the Council and by DAP staff. Current savings figure against this exercise is a £1,242,830.00.
- Undertaken rolling monthly data analysis exercises to identify potential fraud and error in multiple Council systems.
- Provided support and technical advice to management and staff around internal and external threats.
- Progressed the Single Person Discount review initiative which is now resulting in uplift in Council Tax collectible revenue.

1.3 It is good to be able to report that much good work has again been carried out across the Council and that fraud awareness and counter fraud activity is increasing and we will continue to encourage this work throughout the rest of the year. Of special note is the hard work that staff within the Council itself have been undertaking in respect of the National Fraud Initiative (see *section 5 below*) clearing these matches shows a commitment to fighting fraud and maintaining accurate and up to date records, which in turn makes potential fraud easier to uncover.

## 2. Introduction

2.1 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.

2.2 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.

2.3 Reporting Counter Fraud activity is part of good Governance, and regular updates on the Council's Counter Fraud activity improves accountability; this report aims to meet this requirement and the requirements for such reports in accordance with the Council's own Anti-Fraud, Bribery and Corruption Policy and the accompanying Strategy and Response Plan.

2.4 It is always worth reiterating that fraud is by definition a crime and should not be tolerated. Any fraud against Devon County Council is a fraud against the public purse. We will continue to acknowledge the threat from fraud, build processes and policies that will prevent fraud and

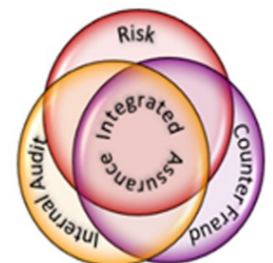
pursue those who would commit fraud to ensure that the public retain confidence in the Council. Collaboration across the public sector will continue and strengthen under the current working arrangements through DAP and its partners.

### 3. Fraud Response / Resilience Assessment.

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) reports that local authorities have achieved success by taking a structured response to fraud and that they now need to respond to an ever-increasing fraud threat, and further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and focused on the key changes that will make the most difference.
- 3.2 A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. It should aim to create a transparent process and report the results to the corporate management team and those charged with governance.
- 3.3 Devon Audit Partnership will continue to encourage best practice in line with CIPFA guidance and enable the Council to share knowledge and understanding of the threats faced across the region and nationally by actively engaging with the West of England Fraud Group and the Fighting Fraud and Corruption Locally Regional Group. It will also integrate other best practice as and when these are discovered by the team or by others within the counter fraud community.
- 3.4 The 22/23 assessment was very positive and future assessments we will be looking to add further value by providing a more granular view with suggestions for further improvement in order to ensure that the Council maximises its resilience as the fraud picture changes.

### 4. Integration of Counter Fraud, Risk Management, and Internal Audit.

4.1 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 1).



4.2 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.

4.3 The team continues to support 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. DAP is working with its colleagues in the NHS and Audit South West closely to understand and reduce fraud risks within pre-paid accounts funded care plans. More information can be obtained via the [Action Fraud website](#) on fraud affecting the most vulnerable.

4.4 We are currently networking with all the Devon District / Borough 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 are 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.

## 5. National Fraud Initiative

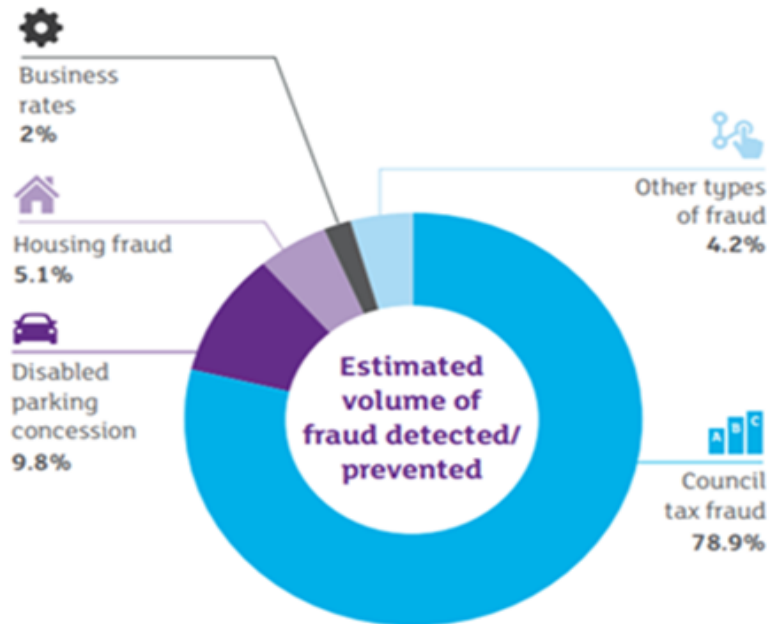
5.1 The [National Fraud Initiative](#) (NFI) is an exercise run and reported on by the [Cabinet Office](#) that matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.



5.2 Devon Audit Partnership acts as the main 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.

5.3 The previous exercise 20/21 resulted in changes in entitlement which have resulted in an (estimated) total of £1,451,893.86 in potential savings across the Council.

5.4 The current exercise 22/23 is now approaching completion and all high-risk matches are being or have been addressed resulting in £1,242,830 in recordable savings as per Cabinet Office recorded results. The following teams are commended for their hard work and commitment in dealing with these matches whilst still carrying out the day-to-day business of their roles.



- Finance and Public Value
- Peninsula Pensions
- Parking Services
- Integrated Public Transport
- HR and Payroll

5.5 Departments that complete the returned matches show that they are actively involved reducing fraud risk to improve assurance as well as making sure that wherever possible their data management is compliant with the Data Protection Act 2018 by ensuring -

- **Data minimisation** by ensuring that PCC only holds data that is required.
- **Accuracy** by ensuring that the data held is as accurate as it can reasonably be expected to be.
- **Data retention periods**, showing that data is not being held longer than is necessary for its intended use.

5.6 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.

## 6. Investigations and other ongoing work



6.1 The team has highlighted and is heavily involved in assisting DCC with setting up, managing, and completing an exercise which allows participating Councils to identify 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 and Boroughs in the same exercise to maximise Council Tax accuracy and correct billing across the County.

6.2 Update – Four Local Authorities have now signed contracts to undertake the exercise. A further three are committed to the exercise but have yet to sign a contract, leaving just one local authority advising that “due to resourcing issues they will review in the new year.” We will continue to encourage this LA to participate fully to ensure that the correct level of Council Tax is accurately billed and collected appropriately.

One LA’s exercise is already underway resulting in 288 Single Person Discounts being withdrawn with a conservative estimated revenue uplift figure of between £72,000.00 and £86,000.00 having already been realised.

Two other Councils start their exercise at the end of this month and mid-way through November, results will be shared when they become available.

6.3 We continue to support service areas that require data analysis and monitoring of transactions to act as early warning of impending cyber-attacks.

6.4 The DAP Counter Fraud Team are looking to support the Traffic Management Team in the enforcement process around Blue Badge misuse. A plan of action has been drafted and agreed. Dates and details are now being worked out with the relevant teams to ensure adequate resourcing and training prior to commencement.

6.5 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.

6.6 The DAP Team is also looking into the latest offer from the Cabinet Office in respect membership of the ‘Fraud Hub’ which is a new tool that builds on the National Fraud Initiative (NFI), which is undertaken every 2 years to find fraud and error within public sector databases.

The main advantage of signing up to the Fraud Hub is that data can be uploaded to the system at any time, to create a list of matches. There is functionality with the Fraud Hub to also match across organisations, for example, if Devon County Council and Plymouth City Council, both signed up to the system, their data could be matched against each other. This also includes Local Authorities outside of Devon Audit Partnership (as an example Bristol City Council are already a member).

The average outcome per member for the 22/23 year was £793,153 in savings, this number can fluctuate based on the size of the authority, and also the number of times that matches are run. This figure will be a mixture of cashable and non-cashable savings.

A report will be created for submission to the Director of Finance with our recommendations.

## 7. Other fraud related updates

7.1 *The government is creating a new [failure to prevent fraud offence](#) to hold organisations to account if they profit from fraud committed by their employees. This will improve fraud prevention and protect victims. Whilst there are some existing powers to fine and prosecute*

*organisations and their employees for fraud, the new offence will strengthen these, closing loopholes that have allowed organisations to avoid prosecution in the past.*

DAP and counter fraud professionals across the country are seeking further clarification around what this means for Councils, the Fighting Fraud and Corruption Locally Regional Group are meeting regularly to assess the impact and the DAP Counter Fraud Services Manager will update this committee as and when the new legislation becomes effective.

7.2 The latest publication from the [International Public Sector Fraud Forum](#) (Sept 23) states that *“Fraud is a serious, underestimated and often unchecked problem. All public sector organisations are exposed to fraud in some way, and many are an active target for fraudsters. International good practice shows the best way to deal with fraud is to prevent it.”* DAP will be actively digesting all relevant material from the recent publication produced with the support of the UK’s Public Sector Fraud Authority, to further improve fraud resilience and increase its integrated assurance approach with colleagues in audit, risk and the wider Council.

## **8. Conclusion**

8.1 As previously mentioned, it is of note in this half year report that the efforts made by management and staff within the Council to complete the National Fraud Initiative (NFI) Cabinet Office exercise has led to improved fraud resilience within their departments and the Council as a whole.

8.2 It is clear from reports across all sectors of the UK economy and international partners that fraud is increasing, in some areas this is down to socio economic pressures, others involve organised crime and state sponsored attacks to obtain funds / data and or cause mistrust in our social systems. None of these threats should be underestimated and Devon continues to adapt and improve its resilience in countering fraud and related offences.

8.3 Fraud remains and will continue to remain a threat to the Councils budgets and resources, the threat is ever changing, and the Council must remain flexible in order to respond appropriately. DAP will continue to support the Council to minimise fraud loss, maximise assurance and protect itself and its citizens.

8.4 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.

8.5 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.

8.6 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.

**Ken Johnson**  
**Counter Fraud Services Manager**

**Tony Rose**  
**Head of Devon Audit Partnership**



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.

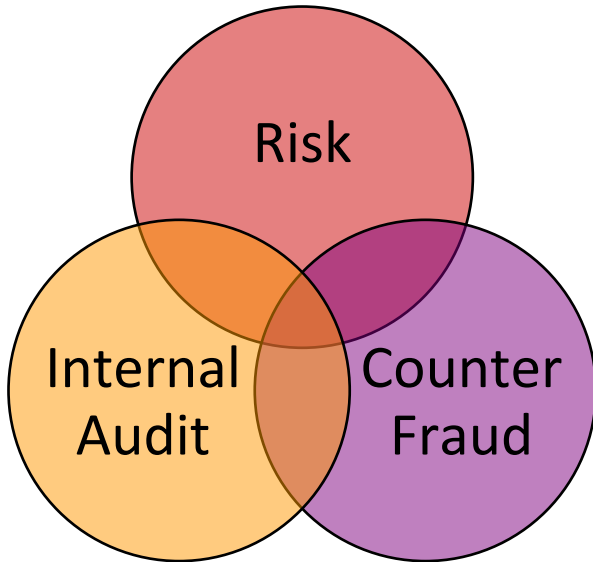
This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

## (Fighting Fraud and Corruption Locally 2020)



## Our Vision

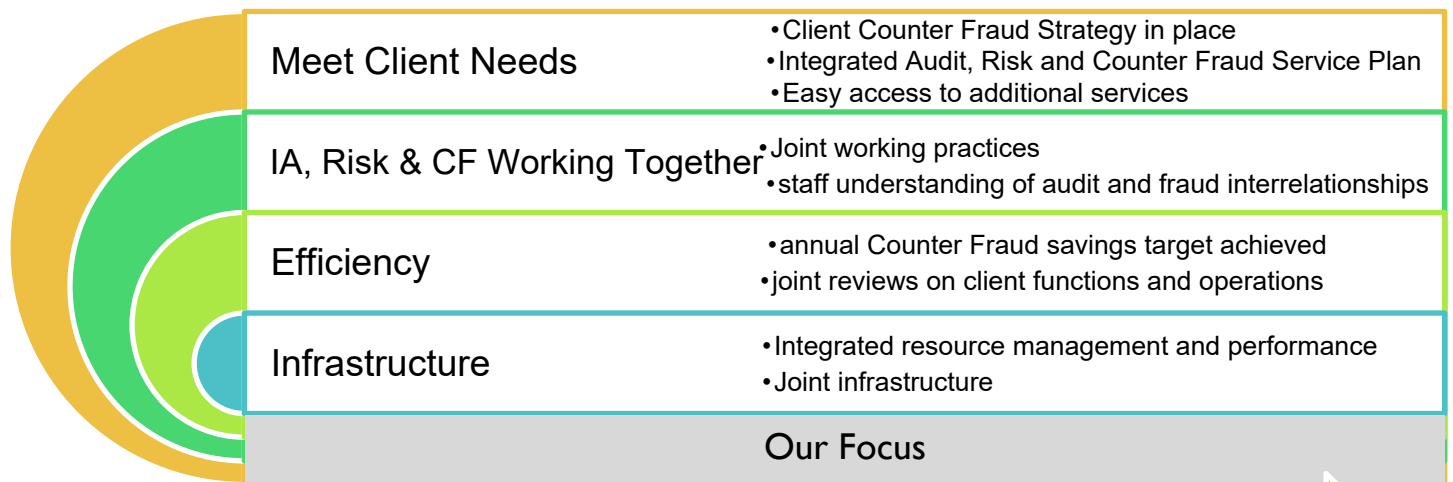
To be a leading provider of internal audit, counter fraud, risk management and other assurance services to public and not-for-profit organisations in the South West and beyond.



## 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

### Infrastructure

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



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