

## AUDIT COMMITTEE

30 June 2021

Present:-

Councillors R Scott (Chair), I Hall (Vice-Chair), D Barnes, J Berry and I Roome

Apologies:-

Councillors F Biederman and R Peart

\* **1**      **Minutes**

**RESOLVED** that the Minutes of the meeting held on 25 February 2021 be signed as a correct record.

\* **2**      **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

\* **3**      **Annual Audit Letter 2019/20**

The Committee considered the Report by Grant Thornton via the County Treasurer of the Annual Audit Letter 2019/20, for Devon County Council and the Devon Pension Fund. The report was a public facing summary of the work undertaken by the External Auditors for 2019/20.

The Report's main findings were previously discussed at the meeting of the Audit Committee on 25 February 2021.

The Committee noted the report.

\* **4**      **External Audit Plan for Devon County Council 2020/21**

The Committee considered the Report by Grant Thornton via the County Treasurer of the External Audit Plan for Devon County Council 2020/21. The Report provided an overview of the planned scope and timing of the statutory audit of Devon County Council.

Grant Thornton had determined planning materiality to be £17.2 million for the Council which equated to 1.5% of the Council's gross expenditure in the prior year. The threshold below which uncorrected omissions or misstatements were considered 'clearly trivial' was set at £860,000.

Two areas of significant weakness were identified under the risk assessment of the Council's Value for Money arrangements, namely the Council's

response to the January 2020 Ofsted inspection of Children's Social Care Services, and the Council's plans to reduce its SEND overspend. The audit was expected to commence in July 2021 with a total proposed fee of £126,916. This was an increase from an actual fee of £113,750 for 2019/20.

Members' discussion points included:

- the justification for the increase in audit fees for the 2020/21 financial year. It was explained that this was due to the Financial Reporting Council (FRC) making adjustments to expected auditing standards, that the external auditors had identified an increase in the complexity of financial transactions in Local Government which required greater audit scrutiny, and that the increase in audit fees was reasonable when considering the approximately £1.6 billion annual turnover of the Local Authority. Members were also made aware that Government had made an additional £15 million of grant funding available to Local Authorities to cover additional auditing costs.

It was **MOVED** by Councillor Roome, **SECONDED** by Councillor Berry and **RESOLVED** that the audit plan for Devon County Council be approved.

\* **5** **External Audit Plan for Devon Pension Fund 2020/21**

The Committee considered the Report by Grant Thornton via the County Treasurer of the External Audit Plan for Devon County Council 2020/21. The Report provided an overview of the planned scope and timing of the statutory audit of the Devon Pension Fund.

Grant Thornton had determined planning materiality to be £50 million for the Pension Fund which equated to 1% of the fund's forecast net assets as at 31 March 2021. The threshold below which uncorrected omissions or misstatements were considered 'clearly trivial' was set at £2.5 million.

Three areas had been identified as significant risks which would require special audit consideration and procedures to address the likelihood of a material financial statement error, namely: Management override of controls; Valuation of Level 3 Investments; and Actuarial Present Value of Promised Retirement Benefits. The audit was expected to take place in July and August 2021 with a total proposed fee of £35,274. This was an increase from an actual fee of £33,865 for 2019/20.

It was **MOVED** by Councillor Hall, **SECONDED** by Councillor Berry and **RESOLVED** that the audit plan for the Devon Pension Fund be approved.

\* **6** **Internal Audit Annual Report 2020/21**

The Committee considered the Report of the County Treasurer (CT/21/47) of the Internal Audit Annual Report for 2020/21 which provided the end of year opinion of the Council's Internal Audit Service (Devon Audit Partnership) and described the progress against the internal audit plans for 2020/21 that were approved by the Audit Committee in February 2020 and as subsequently revised.

The Report offered an update on the overall impact of COVID-19, namely that the internal audit plan for the Council had been altered to take account of the refocusing of service staff on COVID pandemic response activity.

Two areas had been highlighted as having No Assurance. These were:

- Community Equipment Budget, where the Assurance Opinion indicated Fundamental Weaknesses (with a green Direction of Travel Assurance); and
- Learn Devon, where the Assurance Opinion indicated No Assurance owing to a systemic problem of ongoing poor practice that needed to be addressed.

These areas, alongside Limited Assurance areas, were to be followed up on to ensure improvements, and reported on at a later date.

Overall, the Head of Internal Audit was able to issue an opinion of Reasonable Assurance on the adequacy and effectiveness of the internal control framework within the County Council.

Members' discussion focused on the impact of COVID-19 on the work of the Devon Audit Partnership. It was explained to the Committee that, by necessity, extensive testing of business continuity plans and reviews of incident plans had been undertaken to prevent future disruptions akin to those that had been caused by the pandemic.

It was **MOVED** by Councillor Berry, **SECONDED** by Councillor Roome and

**RESOLVED** that

- a) the overall annual assurance opinion be reviewed and considered by the Committee;
- b) the performance of Devon Audit Partnership be reviewed and considered by Members during the year;
- c) the outcomes of the work completed be reviewed and considered; and
- d) the ongoing commitment to counter fraud activities be reviewed.

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### **Risk Management Annual Report 2020/21**

The Committee considered the Report of the County Treasurer (CT/21/48) of the Risk Management Annual Report for 2020/21 which set out the changes

to risk management during 2020/21 and confirmed the role of the Audit Committee as per the Council's Risk management Policy.

The Report provided Members with a summary of the Current Risk Position as at 28<sup>th</sup> May 2021, with two risks showing a Current Risk score of Very High. Members were also presented with a Risk Information dashboard which would provide Members a live summary of the Council's risk position.

Member's discussion points included:

- clarification on the different categories of risk; namely, the distinction between Inherent Risk (before controls were put into place) and Current Risk (after controls were put into place); and
- some risks had a higher Current Risk rating than Inherent Risk and the reasoning behind this. It was explained that the Inherent Risk rating was drafted on pre-pandemic scenarios.

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

**RESOLVED** that

- a) the following be considered by the Committee in relation to its oversight of the Risk Management Process:
  - i) the movement of risks during 2020/21;
  - ii) the changes and updates to the risk management process (as supported by Devon Audit Partnership);
  - iii) the plans for further enhancements for Risk Management for 2021/22;
  - iv) the summary risk position for current risks;
  - v) the extract of risks currently ranked the highest;

and that

- b) the Corporate Risk Management Group role and responsibilities document (updated June 2021) be endorsed.

\* **8** **Counter Fraud Policy and Strategy & Response Plan**

The Committee received the Report of the County Treasurer (CT/21/49) of the updated Anti-Fraud, Bribery and Corruption Policy (Appendix 1) and detailed Strategy and Response Plan (Appendix 2). The Report highlighted the importance of improved accountability and resilience in the face of the increasing risk of fraud.

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

**RESOLVED** that

- a) the updated Anti-Fraud, Bribery and Corruption Policy (Appendix 1) and detailed Strategy and Response Plan (Appendix 2) be approved; and
- b) the Audit Committee received an update on progress made in relation to Anti-Fraud at each subsequent meeting.

**NOTES:**

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

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

The Meeting started at 2.15 pm and finished at 3.20 pm

