

AUDIT COMMITTEE

21 September 2021

Present:-

Councillors R Scott (Chair), D Barnes, F Biederman and I Roome

Apologies:-

Councillors I Hall and J Berry

* **9** **Minutes**

RESOLVED that the minutes of the meeting held on 30 June 2021 be signed as a correct record.

* **10** **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

* **11** **Informing the Audit Risk Assessment 2020-21**

The Committee considered the Report of the County Treasurer (CT/21/74) on the external audit risk assessment of Devon County Council and the Devon Pension Fund 2020/21. The Report included a series of questions from the Council's external auditors (Grant Thornton) for Devon County Council and the Devon Pension Fund and the responses received. The Committee was invited to confirm that these responses were consistent with its understanding and to offer further comments where required.

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

RESOLVED that

(a) the Report be noted; and

(b) the responses from the County Treasurer to the external auditors' questions be endorsed.

* **12** **External Audit Update for Devon County Council and Devon Pension Fund 2020/21**

The Committee noted the Report by Grant Thornton via the County Treasurer of the External Audit Update for Devon County Council and Devon Pension Fund on an overview of the progress made by the Council's external auditors

toward delivering the financial statements audits of Devon County Council and the Devon Pension Fund for the year ending 31 March 2021.

Members were reassured that since the last meeting of the Committee no significant matters of concern had arisen that required reporting on and that the external auditors were progressing according to plan.

* **13** **Statement of Accounts & Annual Governance Statement 2020/21**

The Committee considered the Report of the County Treasurer (CT/21/75) on the Statement of Accounts for Devon County Council and the Devon Pension Fund and Annual Governance Statement on key messages from the Statement of Accounts 2020/21, including:

- a £17.5 million increase in earmarked reserves (excluding schools and non-schools carry forwards) from the beginning of the year, from £120 to £137.5 millions;
- as at 31 March 2021 the Local Authority had a negative balance sheet, meaning that the Authority's liabilities were just under £193 millions greater than its assets. It was highlighted in the Report that this was not a cause for concern as the Pension Liability of just over £1,263 millions did not represent an immediate call on the Authority's reserves;
- no new borrowing had taken place during the year, and capital expenditure was due to be met from borrowing being financed from internal resources; and
- that any further changes requested to the Statement of Accounts by the external auditor would be brought to the next meeting of the Audit Committee.

The Statement of Accounts had been prepared in line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting 2020/21. The most significant change to the Code was that the Dedicated Schools Grant (DSG) deficit was no longer part of the Authority's reserves and general fund balance, but instead had been transferred to an adjustment account under unusable reserves. The net balance of this was £43.6 millions.

Member discussion centred around the deficit in spending surrounding the DSG, where the deficit on Special Educational Needs and Disabilities (SEND) spending was £49 millions. Members were advised that the balance had been ringfenced and that Government legislation enacted in November 2020 prevents this deficit being charged to the revenue account of local authorities. This remained a worrying development, where Government had not indicated what would happen when this legislation expired in April 2023.

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

RESOLVED that

- (a) the Annual Governance Statement for 2020/21 be approved;
- (b) the Authority's Statement of Accounts for 2020/21 be approved;
- (c) the Pension Fund Statement of Accounts for 2020/21 be approved; and
- (d) the preparation of both the Statement of Accounts for the Pension Fund and County Council on an ongoing concern basis be approved.

* **14** **Counter Fraud Update**

The Committee considered the Report of the County Treasurer (CT/21/71) on the Counter Fraud Update as requested at the previous meeting with updates at each meeting.

Highlights from the Report included:

- the Council's participation in the National Fraud Initiative (NFI), which was a bi-annual exercise run by the Cabinet Office aimed to identify and prevent fraud by way of data matching between the public and private sector. The Council fees to participate were around £3,900 but had resulted in to-date qualifiable savings of £14,469, with savings of up to £87,000 anticipated upon completion; and
- the creation of a new eLearning module on Fraud Prevention, where uptake statistics would be made available at a future meeting.

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

RESOLVED that

- (a) the update report from the Counter Fraud Services Manager be reviewed; and
- (b) the issue of making the Fraud Prevention eLearning Module mandatory for all staff be explored.

* **15** **Internal Audit Update**

The Committee considered the Report of the County Treasurer (CT/21/72) on the Internal Audit Update for 2021/22 which provided Members the mid-year opinion of the Council's Internal Audit Service (Devon Audit Partnership, DAP) and progress made since the last meeting. Highlights included high levels of responses to customer experience surveys, and the number of planned reviews completed.

At the meeting of the Audit Committee on 30 June 2021, Learn Devon and Community Equipment Budget had been highlighted as having No Assurance. The Chair had requested that representatives from these areas were brought to the next meeting of the Committee to provide an update and to ensure improvements.

Members received an update on the Community Equipment Budget where a significant overspend was reported largely due to supply chain issues and dramatically increased costs of shipping, many of which were linked to the Coronavirus pandemic; and increased demand, largely because of growing numbers of patients being placed under at-home care, where the procurement of specialist equipment, often with high delivery costs accompanied, became vital. The presentation highlighted a number of steps that had been taken in response to the auditing of their service area by DAP. Overall, Members were satisfied with the actions taken and planned in response to the Assurance Opinion. The internal auditors also advised that further audit work was due to be undertaken on this area in the following weeks.

Members also received an update from Learn Devon on actions taken in response to the audit to ensure that procurement of subcontractor work was compliant with Value for Money and Ofsted regulations. These included the creation of a new Commissioning Advisor post. Overall, the work that had been done meant that the internal auditors had recently updated the Assurance Opinion of Learn Devon to Reasonable Assurance, which was not reflected in the Report.

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

RESOLVED that the following be noted;

- (a) the mid-year annual assurance opinion;
- (b) the completion of audit work against the plan;
- (c) the scope and opportunity of audit to complete the audit work;
- (d) the outcomes of work completed; and
- (e) the overall performance and customer satisfaction on audit delivery.

* **16** **Risk Management Update**

The Committee considered the Report of the County Treasurer (CT/21/73) on the 2021 Risk Management Update 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 also provided Members with a summary of the existing risk position which was complemented with a presentation to Members of the Power BI Risk Database, which provided live information on risk levels across the Council's service areas. Training on using the Power BI Risk Database would be provided at a future date.

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

RESOLVED that

(a) the following be reviewed;

- (i) the Risk Management Report and Power BI Live Dashboard;
- (ii) the most recent risk position for 2021/22;
- (iii) the updates to risk management process as supported by Devon Audit Partnership;

and that

(b) the plans for further enhancements to Risk Management arrangements for 2021/22 be endorsed.

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 3.44 pm