

## AUDIT COMMITTEE

26 June 2024

Present:

Councillors R Scott (Chair), I Chubb, R Peart and C Whitton

Apologies:

Councillors M Hartnell, F Biederman and I Roome

Members attending in accordance with Standing Orders 25:

Councillor L Samuel

\* **112**      **Declarations of Interest**

Members were reminded to declare any interests they may have in any item to be considered at this meeting, prior to any discussion taking place on that item.

\* **113**      **Minutes**

**RESOLVED** that the Minutes of the meeting held on 28 February 2024 be signed as a correct record

\* **114**      **Items Requiring Urgent Attention**

There was no item requiring urgent attention.

\* **115**      **Devon County Council - Informing the Audit Risk Assessment for 2023/24**

The Committee received the report of the Director of Finance and Public Value (DFP/24/66) and attached report from Grant Thornton, Informing the Audit Risk assessment for Devon County Council 2023/24.

As part of the auditors' risk assessment procedures each year, Grant Thornton were required to obtain an understanding of management processes and the Authority's oversight of the following areas: General Enquiries of Management; Fraud; Laws and Regulations; Impact of Laws and Regulations; Related Parties; Going Concern; and Accounting Estimates.

The Committee noted and endorsed the Management Responses as set out in the report.

\* **116**      **Devon County Council - External Audit Plan for 2023/24**

The Committee noted the Report of the Director of Finance and Public Value (DFP/24/67) and attached report from Grant Thornton.

The report stated that significant risks were identified as: Management override of controls; Valuation of land and buildings; and Valuation of the net defined benefit liability.

Grant Thornton had determined planning materiality to be £22.4 million, which equated to 1.5% of the gross operating costs for the year. The threshold below which uncorrected omissions or misstatement were considered 'clearly trivial' had been set at £1.1 million.

It was reported that planning for the value for money (VFM) review was not yet complete, but it was expected there to be risks of significant weakness around Financial Sustainability and Children's Services.

Questions and points of discussion included:

- The significant increase in audit fees reflected the new fees set by the Public Sector Audit Appointments for a five year period from 2023/24.
- Clarity on the identified significant risk with regard to management override of controls, referenced in the report under the national context.

\* **117**      **Devon Pension Fund - Informing the Audit Risk Assessment for 2023/24**

The Committee received the report of the Director of Finance and Public Value (DFP/24/68) and attached report from Grant Thornton, Informing the Audit Risk Assessment for Devon Pension Fund 2023/24.

As part of the auditors' risk assessment procedures each year, Grant Thornton were required to obtain an understanding of management processes and the Authority's oversight of the following areas: General Enquiries of Management; Fraud; Laws and Regulations; Impact of Laws and Regulations; Related Parties; Going Concern; and Accounting Estimates.

The Committee noted and endorsed the Management Responses as set out in the report.

\* **118**      **Devon Pension Fund - External Audit Plan for 2023/24**

The Committee noted the Report of the Director of Finance and Public Value (DFP/24/69) and attached report from Grant Thornton which provided an overview of the planned scope and timing of the statutory audit of the Devon Pension Fund.

Significant risk areas included Management over-ride of controls and Valuation of Level 3 Investments. Grant Thornton had determined planning

materiality to be £60m for the Pension Fund, which equated to 1.1% of expected gross investment assets as at 31 March 2024.

A lower specific planning materiality had been determined for the Fund Account of £24 million which equated to 10% of the forecast gross expenditure for the year of the fund account. The threshold below which uncorrected omissions or misstatements were considered 'clearly trivial' had been set at £3 million.

**119**      **SEND Transformation and Deficit Management Plans Update**

(Councillor L Samuel attended in accordance with Standing Order 25 and spoke to this item.)

The Committee noted and reviewed the joint report of the Director of Finance and Public Value and Director of Children & Young People's Futures (DFP/24/75), as requested at the last Committee meeting.

The report provided an update on Devon's SEND Transformation Programme, which included its deficit management plans (referred to as Safety Valve) together with further information and assurance to Members that actions were being taken to improve governance, risk management and controls.

Questions and discussion points with Members and Officers included:

- Recognition of the amount of work that has gone into the transformation programme by all parties involved.
- Noted that the transformation programme was a partnership responsibility, as set out in legislation, that included not only the local authority but also schools and health.
- As to placement costs, there was further work to do in linking funding with attendance.
- EHCPs were expected to grow by 4/5% over the next two years to then come in line with statistical neighbours, noting that nationally demand was increasing.
- Additional capacity had been brought in to reduce the current backlog of EHCPs awaiting review.
- The aim in future years to reduce reliance on the independent sector as inhouse specialist sufficiency improved.

The Committee requested a further update in the spring of next year.

**\* 120**      **CIPFA - Independent Audit Committee Members**

The Committee received the report of the Director of Finance and Public Value (DFP/24/17) regarding Independent Co-opted Members of the Audit Committee.

The report explained that in 2022, the Chartered Institute of Public Finance & Accountancy (CIPFA) issued a position statement that stated that “the Audit Committees of Local Authorities should include co-opted independent members in accordance with the appropriate legislation”. Whilst there was not yet a legislative direction to include co-opted independent members, CIPFA recommended that each Local Authority Audit Committee should include two co-opted independent members to provide appropriate technical expertise.

Devon Audit Partnership had been supporting Partners during late 2023 and early 2024 to meet this requirement and the report outlined the background, outcome and next steps to allow compliance with the CIPFA Guidance.

It was **MOVED** by Councillor Peart, **SECONDED** by Councillor Chubb and

**RESOLVED** that

- (a) the desire to progress to compliance with the CIPFA Guidelines be confirmed;
- (b) it be noted that any Independent Member of the Audit Committee will not hold voting rights; and
- (c) formally invite proposed candidates to attend the next meeting, having first shared information on proposed candidates with Committee Members.

\* **121**      **Internal Audit End of Year Report**

The Committee reviewed and considered the Report of the Director of Finance and Public Value (DFP/24/70), 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 2024/25 that were approved by the Audit Committee in February 2024.

Overall, based on work performed during 2023/24 and experience from previous year’s audit, the Head of Internal Audit’s Opinion was of Reasonable Assurance on the adequacy and effectiveness of the internal control framework within the County Council. The exception was Children and Young People’s Futures where the opinion was that of Limited Assurance, based on the higher number of limited reviews in the service.

Questions and discussion points with Members and Officers included:

- Concern at the level of debt from outstanding Section 106 (S106) contribution payments. The Monitoring Officer confirmed debtors were pursued and undertook to come back to the next meeting with a progress report, together with the appropriate Director(s).
- The Committee requested also that the Director for Children and Young People’s Futures and the Cabinet Member responsible for SEND attend the next meeting in regard to the Limited Assurance.

\* 122 **Internal Audit Charter & Strategy 2024/25**

The Committee considered the report of the Director of Finance and Public Value (DFP/24/73) on the Internal Audit Charter and Strategy for the year 2024/25.

The report explained that one of the requirements of the Public Sector Internal Audit Standards (PSIAS) was that the purpose, authority and responsibility of the internal audit activity had to be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The internal audit charter for this financial year was set out in detail in the report and supporting Audit Strategy.

It was **MOVED** by Councillor Peart, **SECONDED** by Councillor Chubb and

**RESOLVED** that the Internal Audit Charter and Strategy for 2024/25 be agreed.

\* 123 **Counter Fraud Annual Report and Update**

The Committee noted the Report of the Director of Finance and Public Value (DFP/24/71) that set out the Counter Fraud work being undertaken on behalf of and by the Council for the financial year 2023/24 and supported the Council's ongoing commitments as outlined in its Anti-Fraud Bribery and Corruption Policy/Strategy and Response Plan.

The Report aimed at informing the Committee of ongoing activity in the fight against fraud, to protect the public purse and retain public confidence that the Council recognised the harm that fraud could cause in the community and that it was protecting itself and its residents from fraud.

Of highlight was the work on the Council Tax Single Person's Allowance where three local authority exercises had been completed and had resulted in 1,071 single person discounts being withdrawn with a collectible revenue uplift value of £558,915.21. Also of note was that six local authorities had now signed contracts to undertake this exercise with a further two yet to sign up, to be discussed at the next Team Devon meeting.

\* 124 **Risk Management Update**

The Committee reviewed and considered the Report of the Director of Finance and Public Value (DFP/24/72) on the risk management annual report 2023/24, which set out the risk position of the Council, updates on changes to risk management arrangements during 2023/24 and confirmed the role of the Committee as per the Council's Risk Management Policy. It further explored and summarised the existing risk position via links to visual reporting of risks using the Power BI platform.

Of highlight was the 2024/25 focus area on AI where the risks associated with it could be significant and having controls implemented was therefore of paramount importance; and continued work around the SEND Improvement Programme.

The report set out the current three key corporate objectives recognised on the risk register as follows:

- All risks associated with supporting SEND and the young people this service area supports;
- The risk to the health, safety and wellbeing of Council people (staff, members and representatives) including hate crime, harassment and abuse; and
- The risk of cyber security in protecting the Council's digital data and operational resilience.

\* **125**      **Exclusion of the Press and Public**

**RESOLVED** that the press and public be excluded from the meeting for the following item of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act, information relating to the financial or business affairs of an individual (including the authority holding that information) 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.

\* **126**      **Digital & Transformation Services - IT Audits 2023/24**

The Committee reviewed and noted the report of the Director of Finance and Public Value (DFP/24/74) on Digital and Transformation Services, IT Audits 2023/24, with accompanying reports which set out the audit work performed and associated issues raised.

- \* **DENOTES DELEGATED MATTER WITH POWER TO ACT**  
The Meeting started at 2.15 pm and finished at 4.29 pm