

## **Minutes of the Audit Committee**

**24 July 2024**

**-: Present :-**

Councillor Brook (Chairman)

Councillors Fellows (Vice-Chair), Hutchings, Long, Maddison and Penny

Co-opted Member  
Kristian Hawkes

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### **1. Minutes**

The Minutes of the meeting of the Audit Committee held on 27 March 2024 were confirmed as a correct record and signed by the Chairman.

### **2. Declarations of interests**

No interests were declared.

### **3. Terms of Reference**

Members noted the Audit Committee's Terms of Reference which had been approved at the Adjourned Annual Council meeting on 20 June 2024.

### **4. 2021/22 Torbay Council Audit Findings Report**

Members noted a report that set out the External Auditors observations arising from the audit of the Council's 2021/22 accounts. Members were advised that the Council's External Auditors Grant Thornton had identified 2 adjustments to the financial statements that have resulted in a £60.5m adjustment to the Council's Comprehensive Income and Expenditure Statement and made recommendations for management as a result of the work undertaken during the audit. The Key Audit Partner for Grant Thornton confirmed that the audit was substantially complete and there were no matters of which they were aware of that would require modification of their audit opinion. Members were informed that the anticipated opinion in respect of the 2021/22 financial statements would be unmodified, as the Council's external auditors had been able to satisfy themselves that the Council had made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

Members thanked the Finance Team for their perseverance and hard work in reproducing the work papers required by external audit, recognising the change in staff within the Council and External Audit contributed to the delay.

In respect of the 2022/23 audit of accounts, Members were advised that the accounts had been produced with the government backstop being utilised for the audit process. A statutory disclaimer will be issued by government, this was expected by 30 September 2024 but had been delayed due to the General Election. Members were informed that the new Government had indicated that they would proceed with the backstop sometime this calendar year. A report will be presented to Audit Committee to formally apply the backstop process and close the 2022/23 accounts.

#### **5. 2021/22 Statement of Accounts including Annual Governance Statement**

Members considered a report on the 2021/22 Statement of Accounts including the Annual Governance Statement for the same period. Members were advised that the draft statement of accounts were published in September 2022 and the audit of accounts commenced in January 2023, with it being anticipated that the audit would be completed by March 2023. There have been a number of factors that have delayed the conclusion of the audit such as delays partly due to a number of the officers who prepared the statements and the associated working papers no longer working for the council. This resulted in a loss of knowledge in respect of the preparation and content of the 2021/22 Statement of Accounts and the current team having to pick up the queries and work with the external auditors to complete the audit. This had been a challenge for the team as they were not involved with the preparation of the statement of accounts and the working papers. However, the audit had now been substantially completed and currently there are no matters that would require modification to the currently anticipated 'unmodified audit opinion'.

Resolved:

That:

- i) the 2021/22 Statement of Accounts and the Annual Governance Statement be approved;
- ii) the Director of Finance be given delegated authority, in consultation with the Chairman of Audit Committee, to make any minor amendments to the accounts as required as part of the finalisation of the external audit; and
- iii) that subject to conclusion of ii) above the Director of Finance and Chairman of the Audit Committee sign the letter of representation.

#### **6. 2023/2024 External Audit Plan**

Members noted a report that provided an overview of the scope and timing of the statutory audit of the 2023/2024 financial statements. Members were advised that the audit would provide an opinion on the Council and group's financial statements, as well as, considering whether the arrangements for securing economy, efficiency and effectiveness in the use of resources were sufficient. A Value for Money conclusion would also be provided which would consider whether resources were used efficiently in order to achieve maximum outcomes.

Members sought clarity on the IT audit strategy and the circumstances in which an improvement plan would be sought. The Key Audit Partner for Grant Thornton advised Members that specialist IT auditors would be used if low level audit risks were identified then recommendations would be made, if significant risks were identified an action plan would be required, if so significant further testing would be undertaken in order to gain assurance.

Members referred to some of the Audit Fee's still being 'to be confirmed'. Members were advised that at the time the submitted report was written there was uncertainty around what would need to be done on opening balances due to the Government backstop. Whilst guidance was still outstanding it was hoped that it would be a gradual process of assurance, with the worst case scenario being a full examination of working papers. With regards to IFRS16, Members were informed that this was a new auditing standard regarding leases. The standard considers the Council's right to use an asset whether it is leased or not. An indicative disclosure will be provided in the 2023/2024 accounts..

## **7. Annual Audit Report 2023/24**

Members noted the Annual Audit Report 2023/24 which set out any updates to the agreed Annual Audit Plan; a review of work undertaken in 2023/24 and provided Devon Assurance Partnership's opinion on the overall adequacy and effectiveness of the Authority's Internal Control Environment. Members were advised that based on work performed to date during 2023/24, experience from previous years, the outcome of the Annual Follow Up exercise and the findings of the Assurance Mapping exercise, the Head of Internal Audit's Opinion on the adequacy and effectiveness of the Authority's internal control framework is one of "Reasonable Assurance".

Members sought clarification regarding the 'limited assurance' in respect of the Coroners Service in particular how Members concerns regarding the service could be captured. Members were advised that the Head of Devon Assurance Partnership would link in with officers and ascertain those with concerns.

Concerns were raised regarding the level of financial advice contained in the Fostering Handbook, the Head of Devon Assurance Partnership confirmed that he would clarify and circulate a response to Members following the meeting.

Reference was made to the management response in respect of Council Tax and the audit in respect of Section 106 and Community Infrastructure Levy, the Chairman advised that he would discuss with the Director of Finance whether it was appropriate for a 'deep dive' at a future Audit Committee.

## **8. Annual Governance Statement 2023/24**

Members considered a report on the Annual Governance Statement (AGS) for 2023/24, the AGS provided the opportunity for the Council to review its processes, controls and objectives and to provide assurance to Members, Senior Officers and stakeholders as to the reliability of its Statement of Accounts and the probity of its operations.

The AGS sets out publicly the extent to which the Council complies with its own code of corporate governance (part of the codes and protocols of the Constitution), including how it monitored and evaluated the effectiveness of its governance arrangements in the year.

Members recognised that the AGS was following national guidance, they did not believe the AGS accurately reflected the reality of the behaviour that Members were experiencing. Highlighting that a facilitator was being brought in to work with Members on building relationships. There was a reference within the AGS to 'upholding good conduct', a number of Members do not recognise that view with new Councillors reporting that they do not always feel supported or developed within their role.

Members were reminded that the AGS reviewed the frameworks that the Council had in place to ensure the effectiveness of its system of internal control. How Members behaved within those frameworks was a different question to that being asked of the AGS. Members reiterated their concerns regarding their experiences and those raised in the LGA Corporate Peer Review and sought for the AGS to be reviewed further.

Resolved:

That the Chief Executive, in consultation with Group Leaders, review the draft Annual Governance Statement to more accurately reflect the council culture and behaviour and forward to the Council's External Auditors for their consideration.

## **9. Treasury Management Outturn 2023/24 Report**

Members considered an annual report on the treasury management activities undertaken during the year 2023/24, which was compared to the 2023/24 Treasury Management Strategy. The Council's Treasury Management Strategy for 2023/24 was approved by Council at its meeting on 7 March 2023. The Council had borrowed and invested substantial sums of money and was therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

Members were advised that there had been considerable effort made to reduce the Council's level of borrowing with a reduction of £26 million having been made to the Council overall loan position.

Resolved, that the Audit Committee recommends to Council:

- i) That the Treasury Management decisions made during 2023/24, as detailed in the submitted report be noted.
- ii) That the increases to limits within the Treasury Management Strategy 2024/25 as outlined in paragraph 10.4 of the submitted report be approved, subject to the proposed change in minimum acceptable credit rating level remaining at A.

## 10. Risk Management Update

Members noted an update on the Council's current risk position and the Council's overall risk management arrangements. Members were informed that Directors were embedding risk conversations throughout the Council's informal governance structures (i.e. meetings of Directors, Senior Leadership Team, and directorate management teams and appropriate one-to-ones). Consequently, amendments had been made to Service Risk Registers. Directors had also considered risks where mitigated scores hadn't changed since their creation in 2023 to check and challenge whether the mitigation actions were having the desired effect or whether further mitigations were required.

Since the last report to Audit Committee in March 2024, Directors had agreed the inclusion of three new Corporate Risks.

- CP61 - Failure to realise the benefits of devolution for Devon and Torbay;
- CP62 - Deprivation of Liberty Safeguards waiting list (ICO under delegated tasks of Section 75 agreement); and
- CP63 - Potential loss of data through cyber breach (Adult Social Care)

Members sought clarity in respect of CP62 Deprivation of Liberty Safeguards waiting list. Members were advised that due to lack of qualified staff or Section 12 Doctors there were a number of people deprived of their liberty. Members were informed that whilst a national issue it was considered such a significant risk for NHS that the Council should also acknowledge the risk as the Council is statutorily responsible for the delivery of adult social care.

Members commended the Performance and Risk Manager on progress made in embedding risk within the organisation recognising the improvements that have been made as a result, Members also welcomed the standardisation of the risk report and requested the inclusion of historical notes in future iterations.

## 11. Risk Assurance Report for Our Integrated Adult Social Care Services

Members noted a report that provided a summary of both Devon Assurance Partnership and ASW Assurance views and audit plans for 2024/25 in respect of Adult Social Care. The Director of Adult Services informed Members that audits conducted on the Council's governance services for Adult Social Care were carried out by Devon Assurance Partnership. Audits conducted on Torbay and South Devon NHS Foundation Trust's operational Adult Social Care services were carried out by ASW Assurance.

Members were advised that the Head of Internal Audit's for ASW Assurance opinion, provided an overall 'Satisfactory' opinion. This was based on the audit work conducted during 2023/24. Members were informed that there were two specific audits carried out in relation to the Adult Social Care Services. These were the Local Government Association Review and Financial Assessments & Benefits Team.

The Director of Adult Services had also met with ASW Assurance and agreed the following pieces of work would be completed by ASW Assurance during 2024/25:

- Deprivation of Liberty Safeguards (DOLS)
- Discharge follow up. (The arrangements in place to ensure the service users when transferred to a temporary placement are moved from that temporary placement as soon as they are able to do so).

With regards to the Council's governance services for Adult Social Care, the Devon Assurance Partnership had been due to carry out an audit of the Integrated Care Organisation (ICO) Sustainability and Improvement Plan (Management and Monitoring). However, during the year, it was agreed this would be postponed as both organisations had agreed to engage a delivery partner to produce a new transformation plan based on revised priorities. As such, the original Sustainability and Improvement Plan was no longer in use, therefore, the audit did not take place. The Director of Adult Services agreed with Devon Assurance Partnership that the audit plan 2024/2025 would include Adult Social Care Transformation Plan and Adult Social Care Use of social care grants.

## **12. Performance Update: Collection of Council Tax & Non-Domestic Rates**

Members noted the submitted report that provided an update on the following areas:

- Council Tax Processing time
- Council Tax and NNDR Collection Rates
- Number of people in receipt of Council Tax Support
- Total amount of Council Support paid

Members were advised that at the end of March 2024, processing times increased to 12 weeks as expected due to the year-end billing process but have now been reduced once again to 8 weeks. The recovery of the processing times has been slightly longer than anticipated due to the additional work required for the implementation of the new Working Age Council Tax Reduction scheme (WACTR) and the preparation for the review of Single Person Discounts.

Members questioned what the Council tax support collection rate was and were informed that the rate of collection for Council Tax across all years and all accounts for Q1 2024/25 was 23.18%, compared to 22% of working age. Officers advised that the banding and raising of the Council Tax support level from 70% to 75% had made Council Tax support much simpler, whilst there was concern that some people would not qualify extra support had been allocated to the hardship fund, so far, there had not been an increased call upon this fund.

## **13. Counter Fraud and Error Update**

Members noted a report that provided an update on counter fraud activity undertaken for the period of 1 April 2023 to 31 March 2024, including reported fraud and irregularities. The Counter Fraud and Error Manager informed Members that the update was intended to support members in obtaining assurance the council had robust processes in place to prevent, detect and deter fraud and error. Thereby preventing financial losses, identifying additional revenue for recovery, securing income through the supply of services, and seeking redress in cases of civil or criminal offending.

Members noted that a review of Single Person Council Tax Discount was due to be undertaken and sought clarification as to the method used for the review. Members were advised that the methods used would be through customer reporting and data matching, alongside the review all those in receipt of Single Person Council Tax would also be written to self-declare if they are no longer the single occupier of a property.

#### **14. Counter Fraud Plan**

Members noted the submitted report that set out details of current and future Counter Fraud plans that supported delivery of the Counter Fraud and Corruption Policy. The Counter Fraud and Error Manager informed Members that a counter fraud plan was essential for preventing and detecting fraudulent activities within the public sector. The plan aimed to strengthen the response to fraud and corruption. It involved leadership commitment, risk assessment, clear policies, staff training, collaboration, technology adoption, and ongoing monitoring. By implementing these measures, the Council would be able to better prevent, detect, and address fraudulent activities.

#### **15. Audit Committee Assessment Introduction and Scope 2024-25**

The Head of the Devon Assurance Partnership informed Members that the 2022 CIPFA guide 'Audit Committees Practical Guidance for Local Authorities and Police' covers the purpose of the audit committee, the core and possible wider functions of the audit committee, independence and accountability, and membership and effectiveness of audit committee. The guide provides a self assessment which the Devon Assurance Partnership will facilitate completion and feedback. Members were strongly encouraged to attend the informal workshop on 23 September 2024.

#### **16. Work Programme**

The Audit Committee work programme was noted.

Chairman

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