

NORTH DEVON COUNCIL

Minutes of a meeting of the AUDIT COMMITTEE held at the Civic Centre, Barnstaple on Tuesday 20th May 2014 at 6.00 p.m.

PRESENT: Members:

Councillor Bradford (Chairman)

Councillors Croft (minutes 1 to 6), Haywood, Hockin and Ley.

Officers:

Chief Executive, Head of Financial Services, Procurement and Service Delivery Manager (MW), Corporate and Community Support Manager (JP), Member Services Co-ordinator (KS) and Corporate and Community Administrator (KD).

Also present:

Mr J. Micklewright - MAZARS Public Sector Internal Audit Limited.

Ms L. Cave – Grant Thornton.

1 APOLOGIES

Apologies for absence were received from Councillors Chesters and Harrison.

2 MINUTES

RESOLVED, that the minutes of the meeting held on 11th March 2014 (circulated previously) be approved as a correct record and signed by the Chairman.

3 DECLARATIONS OF INTEREST

There were no declarations of interest announced.

4 NORTH DEVON COUNCIL PROCUREMENT SYSTEM

The Committee considered a paper by the Procurement and Service Delivery Manager (circulated previously) regarding the procurement system for North Devon Council.

The Procurement and Service Delivery Manager reported on the current processes and the management in place to procure goods and services for the authority. He advised that the “Guidelines to Contract Procedure Rules” were adopted in June 2010 to accompany the “Contract Procedure Rules” and that the document clearly stated the process and explained to staff the parameters to which they were bound.

He explained that the principles of the document were still valid. However, the guidelines needed to be updated to allow for changes that had taken place. He advised that the policy would be re-written by Devon Partnership to reflect the Councils working together and that this would be circulated in June/July 2014 for approval.

He drew the Committee's attention to insite, where employees could access information about the procurement process and who to contact should they require any assistance. There were also two e-learning modules available to all staff via insite. The first module was for all staff and gave an appreciation of what procurement was and what needed to be considered. The second module went into greater detail and was aimed at employees who were involved in the procurement of goods and offered an insite into the whole system and the relevant points of contact for assistance. An officer from Legal had provided training on the legal aspect of procurement and the importance of the process. The Committee was advised that 48 employees had undertaken training from the Procurement and Service Delivery Manager and the Legal Officer.

He advised that full training had been provided to all employees who regularly ordered goods via the e-procurement system, with several levels of procurement covered in the guidance to staff. He stated that all processes were auditable and that he had access to the Council spend and all invoices, together with the authority to trace them back to the source. This exercise was undertaken on a regular basis with no significant issues identified. There were however, some failings in documentation or understanding, which could be corrected if required.

In response to a question, the Procurement and Service Delivery Manager advised that the operation of the system would be a complex process if not used on a regular basis. However, there was a designated officer in each team to provide support and assistance to employees using the system. The Property and Technical Services Department would also operate the procurement process once the department provided the specification and relevant detail.

The Committee thanked the Procurement and Service Delivery Manager for his attendance at the meeting.

5 AUDIT COMMITTEE UPDATE FOR NORTH DEVON COUNCIL

The Committee considered a report by Grant Thornton (circulated previously) regarding the Audit Committee Update for North Devon Council.

The External Auditor provided an update in relation to the progress of the audit plan as at 20th May 2014, detailing the various elements of work that would be undertaken as part of the plan.

She advised that the Audit Plan would be presented to this meeting of the Committee, with the final accounts audit between July and September

2014. The Value for Money (VFM) conclusion would also be presented to the meeting in September 2014.

She further advised on the emerging issues and developments as part of the Local Government Review – Working in Tandem. The review aimed to assist senior management and elected Members of Councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead. The review focussed on three particular aspects of governance, which were risk leadership, partnerships and alternative delivery modes (ADMS) and public communication. She then took the Committee through the key messages from the report and answered questions in relation to the same.

The Committee then discussed the guide to local authority accounts, which was designed to help Members of Audit Committees discharge their responsibilities for the financial statements. It also aimed to help them to understand and challenge the accounts, supporting notes and other statements. She advised that there were free seminars available, four of which were in the South West and Members could be talked through the process of scrutinising the accounts. The next seminar was being held at Lynford House in Taunton on 16th July 2014.

RESOLVED:

- (a) that the report be noted;
- (b) that the link to the Local Government Review - Working in Tandem publication be circulated to the Committee; and
- (c) that the information in relation to the free seminars to support Members in their role on the Committee be sent to the Chairman to nominate two Members of the Committee to attend.

6 THE AUDIT PLAN FOR NORTH DEVON COUNCIL 2013/14

The Committee considered a report by Grant Thornton (circulated previously) regarding the Audit Plan for North Devon Council 2013/14.

The External Auditor advised that in planning their audit, they needed to understand challenges and opportunities that the Council was facing for the forthcoming year.

She advised that there were five challenges/opportunities in the areas of financial resilience, achieving results, Local Authority Mortgage Scheme (LAMS), arrangements to secure economy, efficiency and effectiveness and Business Rate Retention Scheme (BRRS). She further advised under the financial reporting section that there had been changes to the CIPFA Code of Practice, together with clarification of code requirements around Property, Plant and Equipment (PPE) valuations and changes to Non-Domestic Rate (NDR) accounting and provisions for business rate appeals. She highlighted

potential areas of significant risks together with the other risks which had been identified.

She then advised that the Value for Money (VFM) conclusion remained the same as 2012/13 in that the Financial Resilience of the Council remained the only risk identified. The results of the VFM audit work and the key messages arising would be reported in the Audit Findings report and in the Annual Audit Letter, with a separate report issued in respect of financial resilience. There had been no issues identified as a result of the interim audit work. However, she did identify a recommendation regarding journal entry controls in that the section 151 officer should not have the ability to post journals and that a programme be undertaken to have all Council properties registered in the Council's name with the land registry and recorded on the asset register.

The Head of Financial Services advised that the recommendations had been accepted and reported to Senior Management Team. The Head of Legal Services was currently preparing a paper on the process of registering the Council's assets, which could be reported to the next Committee.

The External Auditor advised that the Chairman and Head of Financial Services were in the process of providing a response to the External Auditors prior to the presentation of the findings to those charged with governance to the meeting on 23rd September 2014.

In response to a question, the Head of Financial Services advised that problems arose when the Council wanted to sell off any of their assets, which were still registered in the name of the previous Council.

RESOLVED, that the Head of Legal Services be requested to prepare a short briefing note detailing a list of Council assets that were currently still registered in the name of the previous Council together with costs for the transfer of the name of those assets to North Devon Council to the next meeting of the Committee.

7 HOUSING BENEFIT SUBSIDY CERTIFICATION WORK PLAN FOR NORTH DEVON COUNCIL 2013/14

The Committee considered a report by Grant Thornton (circulated previously) regarding the Housing Benefit Subsidy Certification Work Plan for North Devon Council 2013/14.

The External Auditor advised that as the Council's appointed Auditor, they undertook grant certification work acting as an agent of the Audit Commission. The only claim which required certification at North Devon Council for 2013/14 was the Housing Benefit Subsidy Claim. The Department for Works and Pensions (DWP) required external certification of the Housing Benefit Subsidy Claim each year. The Audit Commission agreed certification arrangements with the DWP and issued a certification instruction. The arrangements included the deadline for submission of each claim by authorities of 30th April 2014 and the deadline for certification by the auditors of 30th November 2014.

She further advised that the certification work would be completed by 30th November 2014 and a grant certification report issued highlighting any points that needed to be brought to the Council's attention.

8 EXTERNAL AUDIT FEE LETTER 2014/15

The Committee consider the External Audit Fee Letter for 2014/15 (circulated previously).

The External Auditor outlined the planned audit fee for 2014/15, advising that the Council's scale fee had been set by the Audit Commission at £62,301, which was the same as the audit fee for 2013/14.

She took the Committee through the detail of the scope of the audit fee together with the instalments confirming that these figures also remained unchanged. She further advised that the Audit Commission planned to reduce the fees for 2015/16.

She outlined the schedule of work for the forthcoming year and answered questions in relation to the same.

RESOLVED, that the External Audit Fee Letter for 2014/15 be noted.

9 AUDIT RECOMMENDATION TRACKER

The Committee considered a report by the Corporate and Community Support Manager (circulated previously) regarding the Audit Recommendation Tracker.

The Corporate and Community Support Manager advised that 14 recommendations had been completed since the previous meeting. There were currently 22 overdue recommendations, five of which related to procurement and these actions would be updated following the attendance of the Procurement and Service Delivery Manager at the meeting.

He further advised that the date for action code 12 CC04 – Cash Collection would be changed to mid 2015.

He reported on the progress against the action plans as set out in the Annual Governance Statement and reported that action code 11 AGS 08 could be closed following the decision not to appoint an independent person to the Committee at this time. He further reported that the due date for action code 13 AGS 01 had been changed to the end of September 2014 and that action code 13 AGS 04 would be updated by the Procurement and Service Delivery Manager following his attendance at the meeting.

RESOLVED:

- (a) that the actions and identified risks contained within the report be agreed; and

- (b) that action codes 12 CC04, 11 AGS 08, 13 AGS 01 and 13 AG 04 be updated as agreed.

10 REPORTING TO COUNCIL MEETINGS

The Chairman provided an update following the recommendation to the Committee at its meeting on 14th January 2014 that a summary of reports taken to the Audit Committee and outcomes be provided to backbench Members on a quarterly basis.

The Committee discussed the various options for reporting to backbench Members.

RESOLVED, that two half yearly reports be prepared by the Chairman for presentation to all Members at Council meetings in April and September of each year.

11 WORK PROGRAMME 2013/14

The Committee considered and noted the work programme (circulated previously).

RESOLVED, that the item in relation to the Corporate Risk Register be moved to September and the meeting scheduled for November 2014 be cancelled.

12 DRAFT INTERNAL AUDIT ANNUAL REPORT 2013/14

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding the draft Internal Audit Annual Report 2013/14.

The Internal Auditor advised that the purpose of the report was to meet the Head of Internal Audit annual reporting requirements as set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2011.

He provided an overview of the work completed for 2013/14, which included a total of 26 internal audit projects. They had liaised with Senior Management throughout the year to ensure that internal audit work undertaken continued to focus on high risk areas and in light of new and ongoing developments in the Authority. This was to ensure the most appropriate use of resources. As a result of this work, some changes had been agreed to the plan during the year. Some internal audit projects had been added or deleted from the plan, others had been consolidated or split into separate elements and the timing of a number of others had been changed.

He advised that there had been an overall improvement in North Devon Council's control environment during the audit year and that there had been no impairments or restrictions to their work. He also reported that there

had been no nil assurance reports in 2013/14, together with a slight reduction in limited assurance reports and a consequential increase in substantial assurance reports. There was an overall opinion 2013/14 that the internal controls within financial systems and non-financial systems operating throughout were fundamentally sound and he was able to provide reasonable assurance that the Council's risk management was working as it should.

RESOLVED, that the report be noted.

13 INTERNAL AUDIT REPORT – RISK MANAGEMENT AND CORPORATE GOVERNANCE 2013/14

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding Risk Management and Corporate Governance 2013/14.

The Internal Auditor advised that two priority two recommendations had been made regarding the inconsistency of service risk registers and recommended that the Work and Recycling risk register should be part of the service planning process. He confirmed that both of these recommendations had been accepted by Management.

He further advised that one priority three recommendation had been made in relation to the dating of the Members' Register of Interest. However, this recommendation had not been accepted because the register was current and adding a completion date would be of no benefit as a recent date did not mean that the register was complete.

RESOLVED, that the report together with the management responses be noted.

14 INTERNAL AUDIT REPORT – EFFICIENCY SAVINGS

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding Efficiency Savings.

The Internal Auditor advised that two "priority two" recommendations had been made in the areas of service plan efficiency savings, which stated that the service plan should include the amounts of their agreed service efficiency savings for the next three years. The second related to the Works and Recycling risk register and the recommendation that it should be part of the Service Planning process. He confirmed that both of these recommendations had been accepted by Management.

RESOLVED, that the report together with the management responses and the substantial assurance rating be noted.

15 INTERNAL AUDIT REPORT – CASH COLLECTION 2013/14

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding Cash Collection 2013/14.

The Internal Auditor advised that two “priority three” recommendations had been made and accepted by Management.

RESOLVED, that the report together with the management responses and the “Substantial” assurance rating be noted.

16 EXCLUSION OF PUBLIC AND PRESS AND RESTRICTION OF DOCUMENTS

RESOLVED :

- (a) That, under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items as they involved the likely disclosure of exempt information as defined by Paragraphs 3 and 7 of Part 1 of Schedule 12A of the Act (as amended from time to time), namely information relating to the financial or business affairs of any particular person (including the authority holding that information) and information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.
- (b) That all documents and reports relating to the items be confirmed as “Not for Publication”.

17 INTERNAL AUDIT REPORT – DISASTER RECOVERY

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding Disaster Recovery.

The Internal Auditor advised that three “priority one” and five “priority two” recommendations had been made and accepted by management.

RESOLVED, that the report together with the Management responses and the “Limited” assurance rating be noted.

18 INTERNAL AUDIT REPORT – REVENUES AND BENEFITS SYSTEMS – APPLICATION AUDIT

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding Revenues and Benefits Systems – Application Audit.

The Internal Auditor advised that there were two “priority two” recommendations made and accepted by Management.

RESOLVED, that the report together with the Management responses within the report and the “Substantial” assurance rating be noted.

19 CORPORATE RISK REGISTER

The Committee considered a report by the Corporate and Community Support Manager (circulated previously) regarding the Corporate Risk Register.

The Corporate and Community Support Manager advised that the Officer Risk Management Group and Senior Management Team had reviewed the risk register. He further advised that the report highlighted the main changes to the Risk Register comprising the merge of three risks into one and changed risk scores.

The Committee discussed the main risks affecting the Council and asked questions in relation to the same.

RESOLVED, that the Corporate Risk Register as detailed in the report be noted.

The Committee thanked the Corporate and Community Support Manager for his work to support the Committee and wished him well in his forthcoming retirement.

Chairman

The meeting ended at 7.25 p.m.

NOTE: These minutes will be confirmed as a correct record at the next meeting of the Committee.