

## **NORTH DEVON COUNCIL**

Minutes of a meeting of the AUDIT COMMITTEE held at the Civic Centre, Barnstaple on Tuesday 15th July 2014 at 6.00 p.m.

PRESENT: Members:

Councillor Bradford (Chairman)

Councillors Chesters, Croft, Harrison and Haywood.

Officers:

Chief Executive, Head of Legal Services (KM), Finance Manager (JT), Senior Projects Officer (NL), Member Services Co-ordinator (KS) and Corporate and Community Administrator (KD).

Also present:

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

Mr M. Bartlett - Grant Thornton.

### **20 APOLOGIES**

Apologies for absence were received from Councillors Hockin and Ley.

### **21 MINUTES**

RESOLVED, that the minutes of the meeting held on 20th May 2014 (circulated previously) be approved as a correct record and signed by the Chairman.

### **22 DECLARATIONS OF INTEREST**

There were no declarations of interest announced.

### **23 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 15<sup>th</sup> July 2014, detailing the various elements of work that would be undertaken as part of the plan.

He advised that the 2013/14 accounts audit plan and interim accounts audit were now both complete. Work was due to commence on 2013/14 final

accounts audit between July to September 2014, which would include the proposed value for money conclusion for final completion in March 2015.

He further advised that based on the queries received by practitioners and auditors they had considered the top six issues for the 2013/14 closedown. In March 2014 the CIPFA Local Authority Accounting Panel (LAAP) Bulletin 98, provided further guidance and clarification to compliment CIPFA 2013/14 guidance notes for practitioners and focused on those areas that were expected to be significant for most Councils.

The External Auditor advised that using the data from the VFM profile the Audit Commission issued a briefing on 27<sup>th</sup> March 2014 concluding that £464 million could be saved overall if Councils reduced their spending. The Finance Manager advised that savings had already been factored into the budget for the next year by delivering new ways of working in particular within the Works and Recycling unit.

The External Auditor drew the Committee's attention to the potential for blue badge fraud prosecutions through misuse. The Chief Executive confirmed that Devon County Council was responsible for issuing blue badge's therefore this would not raise any issues for North Devon Council.

The Chief Executive advised that North Devon Council currently had good governance arrangements. However decisions taken in further years might impact upon the Council's ability to guarantee good governance.

RESOLVED, that the report be noted.

## **24 PROTECTING THE PUBLIC PURSE FRAUD BRIEFING**

The Committee received a presentation from Grant Thornton on Protecting the Public Purse Fraud Briefing.

The External Auditor advised that the presentation had been prepared by the Audit Commission based on 2012/13 corporation survey, which had a 100% completion rate highlighting key issues nationally and locally.

He advised that Grant Thornton were in the process of conducting a Fraud audit which looked at fraud polices and the potential risks. A report would be brought forward for consideration at a future meeting of the Committee.

RESOLVED, that the National report and two appendices be emailed to the Committee and that Members submit any follow up questions to the Clerk of Committee.

## **25 AUDIT OF THE FINANCIAL STATEMENT – COMPLIANCE WITH INTERNATIONAL AUDIT STANDARDS**

The Committee considered a draft response (circulated previously) from the Chairman of the Committee and Head of Financial Services to the Audit of the Financial Statement – Compliance with International Audit Standards.

The Finance Manager advised that the letter confirmed that the Council was in compliance with the International Audit Standards. He outlined the responses to the questions from Grant Thornton and answered questions in relation to the same.

RESOLVED, that the letter be signed by the Chairman of the Committee and Head of Financial Services and forwarded to Grant Thornton.

## **26 ANNUAL GOVERNANCE STATEMENT 2013/14**

The Committee considered a report by the Head of Legal Services (circulated previously) regarding the Annual Governance Statement 2013-14.

The Head of Legal Services informed the Committee that the Annual Governance Statement (AGS) was a public statement that accompanied the Statement of Accounts and explained how the Council managed its governance and control arrangements. He advised that the AGS had been subject to consultation with the Senior Management Team (SMT) and Heads of Services had provided assurance statements to confirm that the Council was acting within the law.

RESOLVED, that the Annual Governance Statement be approved.

RECOMMENDED, that the Annual Governance Statement proceed to Council for adoption alongside the Statement of Accounts 2013/14.

## **27 STATEMENT OF ACCOUNTS 2013/14**

The Committee considered a report by the Head of Financial Services (circulated previously) regarding the Statement of Accounts 2013/14.

The Finance Manager highlighted the major influences on the Council's expenditure and income together with comments on the Council's overall financial position and performance against the Corporate Plan.

He advised that the next step was the Statement of Accounts 2013/14 be audited and the feedback would be presented to the Committee in September 2014.

He reported that as at 31<sup>st</sup> December 2013 the Council reported a net budget shortfall of £0.076m. However with effective budget management a surplus of £0.249m was achieved by the end of the financial year. A large portion of the surplus had arisen from the accounting arrangements for the new Business Rates retention scheme. This scheme was introduced for 2013/14, which saw the billing authorities receive a 'baseline funding' but in addition to this were exposed to the risks and rewards of retaining a proportion of the income collected. This was mitigated by participation in the Devon-Wide-Pool that

collected all of the Business Rates growth and decline and returned a share of the impact to each local authority.

He reported that of the overall surplus, it was proposed to set aside £0.226m as an additional contribution into the Improvement Programme Reserve. The reason for this is the Council are committed to funding the one-off cost of voluntary redundancies / early retirements for posts approved at Personnel Committee on 28 April 2014. The total one-off cost for 2014/15 year is £0.333m which is offset by in-year savings of (£0.142m), the remaining £0.191m to be funded from the Improvement Programme reserve. There would then be on-going savings of (£0.273m) which will be factored into next year's revenue budget and help reduce the funding gap for 2015/16.

The additional £0.035m which was set aside into the improvement programme reserve was to cover costs in 2014/15 in relation to project and associated software costs to ensure all Council assets were registered within the land registry.

With the remaining balance from the surplus of £0.023m being placed in the Councils general fund reserve.

RECOMMENDED, that the draft statement of accounts for 2013/14 be approved.

Councillor Chesters declared a personal interest as a stall holder in the Pannier Market.

## **28 TECHNOLOGY FORGE AND LAND REGISTRATION PROJECT**

The Committee considered a report by the Head of Legal Services (circulated previously) regarding Technology Forge and Land Registration Project.

The Head of Legal Services advised that an exercise in relation to the registration of the Council's land holding at HM Land Registry and commenced in 2006/07 and was partially complete with around 400 individual titles remaining to be registered. In order for this work to be completed a report had been considered by the Executive at its meeting on 1<sup>st</sup> July 2014 to resurrect the project and request approval of funding of £35,350 from the Improvement Programme reserve, which was approved. He further advised that the works were scheduled for completions within four months.

RESOLVED, that the report be noted.

## **29 ORDER OF AGENDA**

RESOLVED, that item 19 be considered before item 12 on the agenda.

## **30 INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report by MAZARS Internal Audit (circulated previously) regarding the internal audit progress report.

The internal Auditor advised of the progress against the 2013/14 internal audit plan and stated that the report set out the internal activity and the activity to date in 2014/15. The report also included a summary of the National Fraud Initiative (NFI) for 2012/13.

He advised that of the 28 audits in the plan there was six in progress. He drew the Committee's attention to data regarding the NFI and provided details in relation to the reporting period, adding that it had been a worthwhile exercise.

In response to a question regarding the duplicate payments of Creditors supply, the Finance Manager advised that the invoices had different creditor reference and the Council was now claiming the money back. He confirmed that there was no evidence of fraud.

RESOLVED, that the report be noted.

**31 INTERNAL AUDIT REPORT – THEATRES AND MUSEUMS  
2013/14**

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

The Internal Auditor advised that three priority two recommendations had been made regarding risk registers, management information for performance and funding expenditure and formal agreements. All recommendations had been accepted by management.

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

**32 INTERNAL AUDIT REPORT – PRIVATE SECTOR  
RENEWALS (DISABLED FACILITIES GRANTS 2013/14)**

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding Private Sectors Renewals (Disabled Facilities Grant 2013/14).

The Internal Auditor advised that one priority two recommendation had been made regarding the updating of Disabled Facilities Grants policy. This recommendation had been accepted by management.

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

**33 INTERNAL AUDIT REPORT – CREMATORIUM RETURN  
2013/14**

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

The Internal Auditor advised that one priority two recommendation had been made regarding updating of the risk assessments. He also advised that one priority three recommendation had been made in relation to the provision of receipts to support petty cash requests. 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.

#### **34 INTERNAL AUDIT REPORT – VAT 2013/14**

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

The Internal Auditor advised that two priority two recommendations had been made regarding VAT return procedures and calculations and that procedure and internal controls in the purchase ledger. He also advised that one priority three recommendations had been made regarding internal guidance and procedure notes. He confirmed that all recommendations had been accepted by management.

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

#### **35 INTERNAL AUDIT REPORT – CONTRACTS AND CAPITAL EXPENDITURE 2013/14**

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding Contracts and Capital Expenditure 2013/14.

The internal Auditor advised that one priority two recommendation had been made regarding the review and updating procurement guidance. He also advised that one priority three recommendation had been made regarding the due diligence of consultants. 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.

#### **36 AUDIT RECOMMENDATION TRACKER**

The Committee considered a report by the Community Development Officer (circulated previously) regarding the Audit Recommendation Tracker.

The Finance Manager advised that 12 recommendations had been completed since the last meeting of the Committee.

The Chief Executive advised that action code 12 AGS 02 in relation to shared services was unlikely to be revisited until after the elections in May 2015.

The Finance Manager highlighted the outstanding audit recommendations, advising that the latest notes provided an update on the recommendations and reasons for passing due dates.

RESOLVED, that the actions and identified risks contained within the report be agreed.

### **37                    WORK PROGRAMME 2013/14**

The Committee considered the work programme (circulated previously).

RESOLVED:

- (a) that the work programme be noted; and
- (b) that the item in relation to the Statement of Accounts be added to the work programme for the meeting on 23<sup>rd</sup> September 2014.

Chairman

The meeting ended at 7.43 p.m.

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